

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

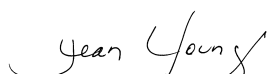
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **City of East Lansing, Michigan**

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## **Comprehensive Annual Financial Report June 30, 2006**

**Prepared by:**

**Department of Finance  
Mary Haskell, CPA  
Director of Finance**

## **Introductory Section**

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# City of East Lansing, Michigan

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# City of East Lansing, Michigan

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# CITY OF EAST LANSING

The Home of Michigan State University

October 6, 2006

Mayor and Members of City Council  
City of East Lansing  
East Lansing, Michigan 48823

We are pleased to submit the Comprehensive Annual Financial Report of the City of East Lansing for the fiscal year ended June 30, 2006. This report was prepared by the City's Finance Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City's administration. We believe this financial information is accurate in all material aspects; that it is presented in a manner designated to fairly state the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities are included.

410 Abbott Road  
East Lansing, MI 48823

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Fax (517) 337-1559  
[www.cityofeastlansing.com](http://www.cityofeastlansing.com)

The statements for the fiscal year ending June 30, 2006, were prepared in accordance with Statement No. 34 of the Government Accounting Standards Board (GASB #34) entitled "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Before GASB34 implementation, the financial statements only provided information about individual funds of the City. These funds established by the City show restrictions on planned use of resources or to measure, in the short term, the revenues and expenditures arising from municipal activities. While some of the statements in the CAFR are still on an individual fund basis, GASB #34 requires new government-wide financial statements which were prepared using accrual accounting for all government activities. These statements at the government-wide level will help readers assess the finances of the government in its entirety; determine if the City's overall financial position improved or deteriorated, and see how the City invested in capital assets like roads, bridges, sewers, parks, etc. The government-wide statements are aimed at looking at the City as a whole and how it looks in the long term. Also included is a section called Management Discussion and Analysis which is intended to give an easily readable analysis of the City's financial performance for the year.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, an organizational chart and the Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the Auditor's Report; Management Discussion and Analysis; Government-wide Financial Statements; Fund Financial Statements; Notes to Financial Statements; Required Supplemental Information and Other Supplemental Information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

## **CITY SERVICES**

The City provides the full range of municipal services contemplated by statute and/or charter. These services include, but are not limited to, police, fire, rescue, emergency medical, district court, sanitation, recycling, recreation, library, streets and roads, public improvements, downtown parking, water, sewer, planning, zoning and general administrative services.

## **ECONOMIC CONDITION AND OUTLOOK**

East Lansing is located in central Lower Michigan adjacent to the City of Lansing (Michigan's state capital). East Lansing is primarily a residential community with a commercial component serving as a local business, marketing and cultural center and is the home of Michigan State University.

The State of Michigan's economic recovery continues to be challenged by high unemployment rates as the state tries to reposition itself in a global market. The East Lansing economy appears to still be strong. Unemployment in East Lansing is lower than the state's unemployment rate. The state equalized value (SEV) of all property in the City grew at 7.42% over last year despite an inflationary increase of only 1.023%. The City continues to grow as evidenced by the number of and value of building permits. For the calendar year 2005, the City issued 623 permits with a value of \$35,360,506.

In November 1993, Michigan voters passed a resolution affecting how K-12 education is funded. School operating property taxes were drastically reduced which cut many homeowners' property taxes in half. In its place, a 2 cent sales tax increase was implemented which was earmarked for education, as well as a state wide 6 mill education property tax. While most of this resolution impacted schools, there were several City budget impacts. The resolution also called for an assessment increase limit of 5% or consumer price index whichever is LESS by individual parcel, except when the ownership of a parcel is transferred. Therefore, the ability to raise revenue with the increase in property value is greatly diminished.

The good news for the fiscal year ending 2006 was additional funding in the amount of \$434,582 from Public Act 289 or fire protection money. This brought our reimbursement up to a total slightly over \$881,000. Although this is still not where we were funded at in 2002, it has helped partially restore reimbursement for city -funded fire services to state-owned facilities in our jurisdiction. The State Legislature has approved additional funding also for 2007.

The sluggish State economy has resulted in lower State revenue sharing to the City. Since 2001, state revenue sharing has declined from \$7,000,000 to under \$5,800,000 in 2006.



## **MAJOR INITIATIVES**

In 1996, 1998, 2000, 2002, and 2004 the City Council adopted a set of strategic priorities on which the City focused its attention. In January 2006, Council again updated these priorities and these priorities formed the framework for the Council's initiatives. They include:

### **STRONG NEIGHBORHOODS**

The City's neighborhoods can increase their attractiveness for a diverse population of residents through the continuous improvements of public services, the provision of aesthetically pleasing and safe community amenities, and the maintenance of a strong infrastructure and quality housing stock.

### **VIBRANT ECONOMY**

Continued economic development and strengthened efforts to expand the diversity of businesses and services will contribute to a vibrant economy.

### **ENHANCED PUBLIC ASSETS**

Maintaining and improving the City's public assets is critical to East Lansing's well-being. These assets include both physical structures and facilities as well as the recreational, cultural and educational programs that provide all residents with a sense of community.

### **ENVIRONMENTAL QUALITY**

Protecting the health and environment of the East Lansing community encompasses many areas of City government. Efficient and effective water, sewer, street and transportation systems are all key elements in achieving a high quality, healthy environment.

### **HIGH PERFORMING CITY GOVERNMENT**

Maintaining a dynamic, high performing City government organization is necessary to achieve improvements in the four other strategic priority areas. The City will continue to focus on efficiency and effectiveness in the way work is performed and customer services are delivered.

#### **Significant Initiatives –**

The following is a partial list of significant initiatives either underway or accomplished in FY2006:

- In the fall of 2006, the City was awarded a bond rating increase from AA to AA+ from both Standard & Poors and Fitch. As part of the rating analysis for the anticipated 71A and 71B

special assessment bond issue, both rating agencies conducted a comprehensive analysis of the City's economic development plans (existing and future), fiscal management, financial policies and forecasting and other quantitative and qualitative measures.

- The City operationalized its first five year financial forecast for the General Fund as part of its strategic fiscal planning practices. The forecast became a framework for making financial decisions throughout the 2006 year and an integral part of developing the 2007 fiscal year budget.
- With council approval of a Debt Management Policy, the City formally expanded its set of fiscal management tools.
- The City was awarded a grant from the Cool Cities Program and construction began on three new WI-FI plazas in 2006. This will enable East Lansing residents and visitors free wireless Internet in a picturesque outdoor setting
- Early in 2006, the City made advancements with the Lansing Regional Smartzone by enticing Biophotonic Solutions, Inc. and MediaBalance, Inc. to establish their businesses in downtown East Lansing. The City hopes to encourage more high-tech businesses and technology-minded professionals to locate their businesses in East Lansing.
- East Lansing Art Festival was ranked #29 in Sunshine Artist Magazine's annual ranking the "200 Best Art Festivals".
- The East Lansing Rotary Club chose the Aquatic Center for a fund raising effort to help install a Splash Pad. It will greatly enhance the amenities already at the Aquatic Center for the 2007 season.
- The City completed the fourth phase of improvements at the East Lansing Soccer Complex resulting in new lighting over one championship field, 260 additional bleacher seating and new coverings for player benches and scorer tables on two championship fields.
- Held the fifth Great Lakes Folk Festival, the successor event to the National Folk Festival.
- Continued the City Health Care Task Force, made up of representatives of all unions, non-union, and management, to try to reduce health and prescription costs. The Task Force continues to monitor city health care utilization rates and prescription drug costs in effort to identify additional ways to reduce the City's healthcare budget.
- The City of East Lansing was named a Tree City USA by the National Arbor Day Foundation for its management of nearly 8,500 trees along City streets and many more in its numerous parks.
- The East Lansing Public Library was awarded the Keep Michigan Beautiful Distinguished Service Award in May for bringing the "Who's Watching Whom" sculpture to the Library grounds.
- The City continues work on the retention basin for the combined sewer overflow abatement program. Although the infrastructure was publicly dedicated in April 2006, it is only partially functional and should be completed in 2007. After more than 10 years of construction and over \$30 million in costs, the completion of this project will put into place the infrastructure to manage stormwater and sanitary sewage overflow into the Red Cedar River.

- Two major street reconstruction projects were completed on Hagadorn Road and Burcham Drive. Six other small reconstruction and resurfacing projects were also done.
- The City of East Lansing received federal funding for its Virginia Avenue neighborhood revitalization project in early 2006. This funding will aid in the redevelopment of the 600 block of Virginia Avenue through the construction of 30 new homes. It will provide home ownership opportunities to families of various income levels, while also helping to stabilize single family neighborhoods.
- Stonehouse Village, a mixed-use development was completed and partially funded by the Brownfield Redevelopment Authority. This is the third completed development for the Authority.

## **INTERNAL CONTROLS**

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

## **MUNICIPAL SECONDARY MARKET DISCLOSURE**

Certain financial information is required to be disclosed annually in compliance with Security and Exchange Commission Rule 15c, 2-12. We maintain the information contained in this Comprehensive Annual Financial Report meets the annual reporting guidelines.

## **INDEPENDENT AUDIT**

The City Charter and State Law require an audit of the accounts of the City annually by qualified accountants experienced in municipal accounting. The City contracted with the auditing firm of Plante & Moran, PLLC, to conduct the audit and their report is included in the Comprehensive Annual Financial Report. The audit team consisted of Mr. Joseph Heffernan, Partner, Ms. Jean Young, Partner, Kristine Latchaw, Ryan Robinson, Shaun Krick, and Sean Tanner.

## **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of East Lansing for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005 as well as the twenty one previous fiscal years.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

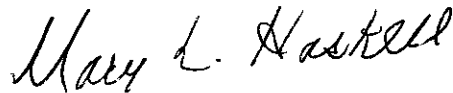
## **ACKNOWLEDGMENT**

The attached report represents the final product in the accounting cycle of the City for the year ended June 30, 2006. The issuance of this report is the culmination of many hours of effort in analyzing and reporting city-wide fiscal operations for the 2006 year. We would like to express our appreciation to Plante & Moran, PLLC, auditors for their efforts in making their audit run smoothly. We also wish to acknowledge the efforts of Ms. Connie Larkin, Assistant Finance Director & City Treasurer; Karen Ruddy, the former Budget & Accounting Administrator; Ms. Vicki Durr-Marinez, Finance Secretary; and other staff members in their efforts in closing the books and assisting the auditors in their examination. We would like to give special thanks to Jill Martinez, Senior Finance Analyst, who provided such valuable support during the audit and report-writing process. We would also like to thank the Mayor and the City Council for their interest and support in the financial condition of the City. For further information regarding the City's financial condition, please see the Management Discussion and Analysis included in the report.

Sincerely,



Theodore J. Staton  
City Manager



Mary L. Haskell  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of East Lansing  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



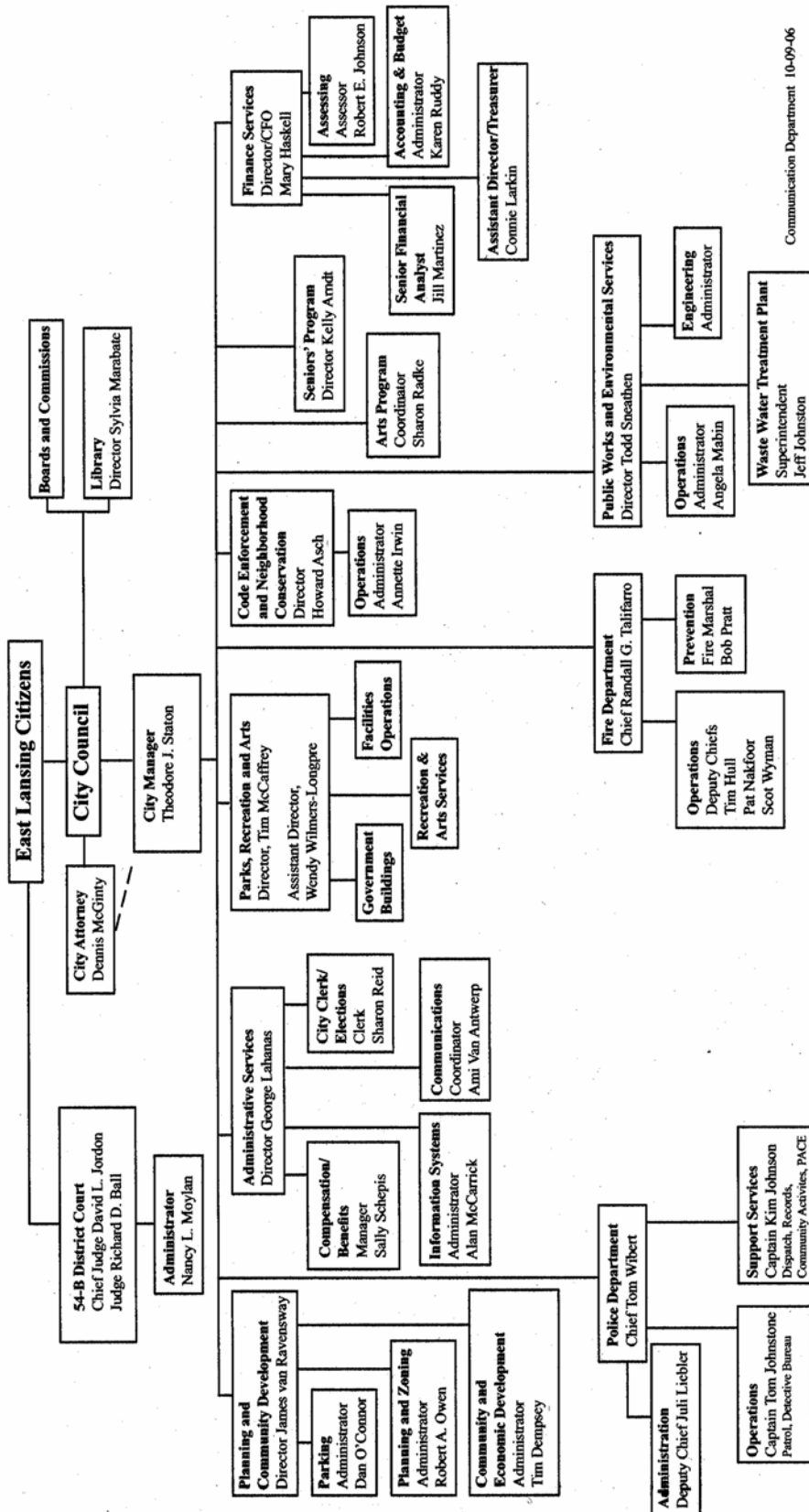
A handwritten signature in black ink, appearing to read "Thomas J. Blain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

# City of East Lansing, Michigan ORGANIZATIONAL CHART



Communication Department 10-09-06

## **Financial Section**

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## Independent Auditor's Report

To the City Council  
City of East Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Lansing, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



To the City Council  
City of East Lansing, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Lansing, Michigan's basic financial statements. The management's discussion and analysis and the budgetary comparison schedule - General Fund, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedules, combining balance sheets, and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2006 on our consideration of the City of East Lansing, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

October 6, 2006

## **Management's Discussion and Analysis**

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# **City of East Lansing, Michigan**

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## **Management's Discussion and Analysis**

### **Overview of the Financial Statements**

The City of East Lansing's 2006 annual report follows the same format as last year. The annual report consists of five parts - management's discussion and analysis, the basic financial statements, required supplemental information, other supplemental information that presents combining statements for nonmajor governmental funds and fiduciary funds, and a statistical section. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

### **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into three categories:

- Governmental activities - Most of the City's basic services are included here, such as police, fire, public works, court, streets, recreation, library, solid waste disposal, parks departments, and general administration. Property taxes, state-shared revenue, charges for services, and court revenues provide most of the funding.
- Business-type activities - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system and automobile parking system are treated as business-type activities.
- Component units - The City includes three other entities in its report: the Downtown Development Authority, the Downtown Management Board, and the Brownfield Redevelopment Authority. Although legally separate, these "component units" are important because the City is financially accountable for them, including debt, which was issued on behalf of the authorities by the City.

# City of East Lansing, Michigan

## Management's Discussion and Analysis (Continued)

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long- and short-term financial information.
- Fiduciary fund - The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

# City of East Lansing, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Overview

The City of East Lansing has combined net assets of approximately \$81 million. Business-type activities comprise approximately \$31 million, and governmental activities make up approximately \$50 million of the total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 17,770,212	\$ 18,666,362	\$ 2,691,673	\$ 2,940,284	\$ 20,461,885	\$ 21,606,646
Capital assets	65,939,236	66,470,797	72,014,947	69,411,424	137,954,183	135,882,221
Investment in joint venture	-	-	2,694,792	2,931,048	2,694,792	2,931,048
Total assets	83,709,448	85,137,159	77,401,412	75,282,756	161,110,860	160,419,915
<b>Liabilities</b>						
Current liabilities	6,261,375	7,073,591	4,096,824	4,266,807	10,358,199	11,340,398
Long-term liabilities	27,779,482	29,101,262	41,766,153	41,764,820	69,545,635	70,866,082
Total liabilities	34,040,857	36,174,853	45,862,977	46,031,627	79,903,834	82,206,480
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	37,990,389	36,792,399	27,566,896	25,303,824	65,557,285	62,096,223
Restricted	3,353,582	3,321,941	-	-	3,353,582	3,321,941
Unrestricted	8,324,620	8,847,966	3,971,539	3,947,305	12,296,159	12,795,271
Total net assets	<u>\$ 49,668,591</u>	<u>\$ 48,962,306</u>	<u>\$ 31,538,435</u>	<u>\$ 29,251,129</u>	<u>\$ 81,207,026</u>	<u>\$ 78,213,435</u>

The net assets increased in total by \$2,993,591 or 3.8 percent. Business-type activities' net assets increased by \$2,287,306 or 7.8 percent when compared to the prior fiscal year. This was largely driven by the increase in the investment in capital assets in the Water and Sewer Enterprise Funds. Governmental activities increased \$706,285 or 1.4 percent. Recognition of a large amount of deferred special assessment revenue in the General Fund offset by the booking of a liability for remediation costs related to Burcham Park were two of the major factors that caused the small increase in the net assets of the governmental activities for fiscal year 2006.

# City of East Lansing, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Overview (Continued)

The following table shows the changes in net assets for 2006:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 11,374,389	\$ 10,893,011	\$ 13,876,811	\$ 13,170,289	\$ 25,251,200	\$ 24,063,300
Operating grants and contributions	5,874,043	5,694,557	-	-	5,874,043	5,694,557
Capital grants and contributions	460,055	4,000	1,585,680	-	2,045,735	4,000
General revenue:						
Property taxes	16,414,048	15,592,401	-	-	16,414,048	15,592,401
State-shared revenue	5,783,245	5,895,886	-	-	5,783,245	5,895,886
Unrestricted investment earnings	417,271	259,165	30,481	325	447,752	259,490
Unrestricted franchise fees	431,921	372,660	-	-	431,921	372,660
Miscellaneous	176,757	163,594	-	-	176,757	163,594
<b>Total revenue</b>	<b>40,931,729</b>	<b>38,875,274</b>	<b>15,492,972</b>	<b>13,170,614</b>	<b>56,424,701</b>	<b>52,045,888</b>
<b>Program Expenses</b>						
General government	7,703,683	7,703,551	-	-	7,703,683	7,703,551
Public safety	16,599,383	15,890,569	-	-	16,599,383	15,890,569
Public works	6,430,119	4,388,917	-	-	6,430,119	4,388,917
Health and welfare	83,966	186,990	-	-	83,966	186,990
Community and economic development	941,254	679,381	-	-	941,254	679,381
Recreation and culture	7,533,706	7,085,458	-	-	7,533,706	7,085,458
Interest on long-term debt	933,333	1,150,612	-	-	933,333	1,150,612
Water	-	-	2,971,674	2,950,015	2,971,674	2,950,015
Sewer	-	-	6,785,663	7,094,946	6,785,663	7,094,946
Parking	-	-	3,448,329	3,527,482	3,448,329	3,527,482
<b>Total program expenses</b>	<b>40,225,444</b>	<b>37,085,478</b>	<b>13,205,666</b>	<b>13,572,443</b>	<b>53,431,110</b>	<b>50,657,921</b>
<b>Transfers</b>	<b>-</b>	<b>(428,640)</b>	<b>-</b>	<b>428,640</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>706,285</b>	<b>1,361,156</b>	<b>2,287,306</b>	<b>26,811</b>	<b>2,993,591</b>	<b>1,387,967</b>
<b>Net Assets - Beginning of year</b>	<b>48,962,306</b>	<b>47,601,150</b>	<b>29,251,129</b>	<b>29,224,318</b>	<b>78,213,435</b>	<b>76,825,468</b>
<b>Net Assets - End of year</b>	<b>\$ 49,668,591</b>	<b>\$ 48,962,306</b>	<b>\$ 31,538,435</b>	<b>\$ 29,251,129</b>	<b>\$ 81,207,026</b>	<b>\$ 78,213,435</b>

# **City of East Lansing, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

Revenues for governmental activities totaled approximately \$41 million in 2006. A total of \$16.4 million was in the form of property tax collections that reflects no increase in the total millage rate, but an increase of \$44.6 million in taxable value, or 5.6 percent due to new construction and increases in existing properties. The City received a supplemental appropriation of \$440,000 from the State in 2006 for fire protection services of governmental buildings; however, state-shared revenues continue to be of concern. While they provided \$5.8 million in 2006, this is almost a \$113,000 decrease from 2005 and a \$352,000 decrease from 2004. We anticipate no increases in revenue sharing in the next operating cycle, so the fiscal year 2007 adopted budget reflected the current trend and only budgeted \$5.78 million in revenue.

Additionally, public works expenditures increased by \$2,041,202, primarily due to an accrual for Burcham Park remediation costs (see Note 13) and increased depreciation expense related to the new DPW building.

### **Business-type Activities**

The City of East Lansing has three business-type activities. These include the water, sewer, and automobile parking operations. Revenues for business-type activities were \$15.5 million. The City purchases water from the East Lansing Meridian Water Sewer Authority and water is distributed by the City through mains to customers. The City operates the wastewater treatment plant, which serves not only the City, but also Michigan State University and Meridian Township through contracts. City customers are billed quarterly for water and sewer service based on water consumption.

Additionally, developers constructed water lines and sewage improvements with a value of \$1,585,680 and donated them to the City.

The automobile parking system consists of four attended parking ramps, two attended parking lots, five metered lots, one permit-only lot, and various street meters all in the downtown. Parking revenue includes monthly permits, transient parking (spitter tickets), merchant validations, and meter revenues.

# **City of East Lansing, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Financial Analysis of City Funds and Budgets**

The General Fund ended 2006 with an undesignated fund balance of \$2,894,217 (compared to \$2,476,393 in 2005), with another \$719,374 designated for appropriation in fiscal year 2007 or set aside for special purposes. Prepaid special assessment revenue of \$837,356 has been reserved in fund balance for the payment of debt service on the special assessment bonds. Several factors affected operating results. While property taxes came in slightly below budget, they reflected an increase of 5 percent or \$771,000 over last year's revenue due to higher taxable value from new construction. Licenses and permits exceeded budget by \$283,423 due to more building permits resulting from increased construction activity. Intergovernmental revenue was higher than budget by \$31,443 because the General Fund budget was amended in March 2006 to reflect an additional collection of Public Act 298 fire reimbursement money from the State. Interest income was above conservative budget estimates by \$91,674 due to the modest, sustained rebound in overall market rates.

The General Fund budget is amended throughout the year as deemed necessary. This is done primarily to prevent overexpenditures. With that in mind, the General Fund expenditures were 98 percent of budget. The largest underbudget areas were public safety, which was \$249,445 under budget due to the delay in purchasing capital equipment. General government was \$184,377 under budget primarily due to an encumbrance for contract services in the Government Buildings Division that was carried forward for payment in fiscal year 2007. Health and welfare and community development were \$102,398 below budget because the grant for Gateway Community Services was not made due to closure of the organization and other grants were encumbered for payment in the first quarter of fiscal year 2007. Reappropriated equity of \$541,836 was not needed, as originally planned, due to the additional Public Act 289 dollars, higher than budgeted cable franchise revenue, better than estimated revenue for parking ticket and ordinance fines and the deferment of sidewalk repair and grant-related purchases of capital equipment until fiscal year 2007.

### **Solid Waste Fund**

The accumulated surplus of \$878,227 within the Solid Waste Fund relates to property tax revenue and has been reserved in the fund balance for solid waste operations.



# **City of East Lansing, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Debt Management**

The City is proud to have maintained its AA rating from both Standard & Poor's and Fitch Investor Services.

Because of favorable rates in the bond market, the City refinanced three series of Refunding Bonds in fiscal year 2006. They are as follows:

- \$2,795,000 of General Obligation Unlimited Tax Bonds: The prior bonds were authorized at an election held on November 7, 1995 to finance capital projects for the library and the parks and recreation area. The City was able to realize an economic gain of \$128,764 on the refunding.
- \$3,655,000 of Limited Tax Downtown Development Bonds: The prior bonds were issued in 2000 to acquire property on the east side of M.A.C. between Grand River Avenue and Albert Avenue for the City Center One development. The City was able to realize an economic gain of \$150,830 on the refunding.
- \$6,480,000 General Obligation Limited Tax Building Authority Bonds: The prior bonds were issue in 2000 for the parking structure in the City Center One development. There is an economic gain of \$400,598 to the Authority on the refunding.

For more information on long-term debt, please refer to Note 7 on pages 38 through 42.

### **Capital Projects**

The City continues work on the retention basin for the combined sewer overflow abatement program. Although the infrastructure was publicly dedicated in April 2006, it is only partially functional and should be completed some time next fiscal year.

A residential development by the City was started late in fiscal year 2006. The City has received a special purpose grant for \$346,000 and borrowed \$1.5 million from HUD (both of these transactions took place subsequent to the fiscal year 2006 year end) to acquire existing homes in the 600 block of Virginia Street. These homes will be demolished and the improved sites will be sold to private developers to build 30 new homes for families of various income levels. Future Community Development Block Grant revenue from the federal government has been pledged to repay the outstanding HUD note over the next 20 fiscal years.

In securing the City's infrastructure, a large street improvement program was completed during the fiscal year 2006 year. The City spent over \$1.1 million on major street reconstruction, which encompassed two large projects on Hagadorn and Burcham Drive. The City also completed six other smaller reconstruction and resurfacing projects, totaling \$600,000.

The City's Brownfield Redevelopment projects picked up momentum in 2006 with the completion of Stonehouse Village, a mixed-use redevelopment funded in part by the Brownfield Redevelopment Authority.

# **City of East Lansing, Michigan**

## **Management's Discussion and Analysis (Continued)**

For more information on capital asset activity, please refer to Note 5 on pages 35 through 37.

### **Current Economic Issues**

As of the date of this letter, several issues are worth noting or updating in evaluating the financial condition of the City of East Lansing.

The City of East Lansing continues to experience significant growth in the community. This is seen in a continually strong housing market, as well as new construction growth. The City has seen over \$99 million in cumulative new construction growth over the last five years. Through various Act 425 Agreements, the City has expanded its boundaries by over two square miles over the last eight years.

Revenue sharing remains the most significant budgetary concern at this time. The State of Michigan is experiencing significant budgeting problems as the State experiences the harsh economic realities of decline in the auto manufacturing industry and high unemployment rates. As it looks for solutions, revenue sharing continues to be a source of money that the State can confiscate to balance its budget. Revenue sharing has declined from \$7 million in 2002 to \$5.78 million in 2006. All indications are that revenue sharing will decrease to \$5.78 million, which is what the City had budgeted, in fiscal year 2007.

We also closely monitor the fire protection reimbursement. Under Public Act 289 of 1978, the State is to reimburse municipalities for providing fire protection services for state-owned facilities in their jurisdictions. In our case, we get fire reimbursement for Michigan State University and the State Police Headquarters. The State has never fully reimbursed municipalities. Given the state economy, this reimbursement had been cut from \$900,000 plus annually in 2000, 2001, and 2002 to approximately \$450,000 in 2003, 2004, and 2005. However, in mid-fiscal year 2006, the City received a supplemental appropriation from the State, raising our total reimbursement to \$880,000. In October 2006 (fiscal year 2007), we received another supplemental appropriation (just below \$421,000) from the State's fiscal year 2006 budget year due to better than anticipated collections.

In September 2006, the City received notification of funding through a cooperative agreement with the U.S. Environmental Protection Agency (EPA). The reimbursement-based grant of \$300,000 allows the City to conduct detailed assessment of contaminated properties throughout the City.

The Governmental Accounting Standards Board has issued two recent statements (Nos. 43 and 45) that require municipalities and other governments to disclose the full, actuarially determined value of its future health care and other postemployment benefits. While the full cost must be disclosed, only the annual required contribution (ARC) will be accrued on the government-wide financial statements. The City will be working in the upcoming months on completing its collection of data to forward to actuaries for the determination of the cost of our retiree health care promises.

# **City of East Lansing, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Contact Us**

This report is intended to aid our residents and other interested parties in understanding the City's financial condition. Should you have further questions, please contact the finance department at City Hall.

## **Basic Financial Statements**

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# City of East Lansing, Michigan

## Statement of Net Assets June 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 12,480,430	\$ 958,496	\$ 13,438,926	\$ 78,231
Receivables - Net (Note 4)	3,609,633	1,231,744	4,841,377	141,153
Due from other governmental units	994,400	247,966	1,242,366	13,277
Due from other funds	164,000	(164,000)	-	-
Inventories and prepaids	371,885	189,366	561,251	-
Net investment in East Lansing-Meridian Water and Sewer Authority	-	2,694,792	2,694,792	-
Capital assets - Net (Note 5):				
Assets not subject to depreciation	6,528,411	11,035,123	17,563,534	-
Assets subject to depreciation	59,410,825	60,979,824	120,390,649	636,936
Bond refinancing issue costs	149,864	228,101	377,965	-
<b>Total assets</b>	<b>83,709,448</b>	<b>77,401,412</b>	<b>161,110,860</b>	<b>869,597</b>
<b>Liabilities</b>				
Accounts payable	673,963	753,424	1,427,387	33,821
Accrued and other liabilities	1,491,081	497,009	1,988,090	-
Deferred revenue (Note 4)	109,335	22,000	131,335	-
Noncurrent liabilities (Note 7):				
Due within one year	3,986,996	2,824,391	6,811,387	-
Due in more than one year	27,779,482	41,766,153	69,545,635	700,000
<b>Total liabilities</b>	<b>34,040,857</b>	<b>45,862,977</b>	<b>79,903,834</b>	<b>733,821</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	37,990,389	27,566,896	65,557,285	(63,064)
Restricted:				
Streets and highways	1,912,163	-	1,912,163	-
Debt service	842,245	-	842,245	-
Capital projects	253,796	-	253,796	-
Solid waste	344,672	-	344,672	-
Arts	706	-	706	-
Unrestricted	8,324,620	3,971,539	12,296,159	198,840
<b>Total net assets</b>	<b>\$ 49,668,591</b>	<b>\$ 31,538,435</b>	<b>\$ 81,207,026</b>	<b>\$ 135,776</b>

# City of East Lansing, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,703,683	\$ 5,425,127	\$ 7,284	108,672
Public safety	16,599,383	2,906,264	2,203,774	19,560
Public works	6,430,119	315,632	2,660,452	-
Health and welfare	83,966	-	-	-
Community and economic development	941,254	-	752,194	185,823
Culture and recreation	7,533,706	2,727,366	250,339	146,000
Interest on long-term debt	933,333	-	-	-
Total governmental activities	40,225,444	11,374,389	5,874,043	460,055
Business-type activities:				
Water	2,971,674	2,693,126	-	600,100
Sewer	6,785,663	7,094,603	-	985,580
Parking	3,448,329	4,089,082	-	-
Total business-type activities	13,205,666	13,876,811	-	1,585,680
Total primary government	<u>\$ 53,431,110</u>	<u>\$ 25,251,200</u>	<u>\$ 5,874,043</u>	<u>\$ 2,045,735</u>
Component units:				
Downtown Development Authority	\$ 921,013	\$ 34,566	\$ -	\$ -
Downtown Management Board	52,100	-	20,000	-
Brownfield Redevelopment Authority	129,592	8,500	90,000	-
Total component units	<u>\$ 1,102,705</u>	<u>\$ 43,066</u>	<u>\$ 110,000</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Unrestricted state-shared revenues				
Unrestricted investment earnings				
Unrestricted franchise fees				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Statement of Activities**  
**Year Ended June 30, 2006**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,162,600)	\$ -	\$ (2,162,600)	\$ -
(11,469,785)	-	(11,469,785)	-
(3,454,035)	-	(3,454,035)	-
(83,966)	-	(83,966)	-
(3,237)	-	(3,237)	-
(4,410,001)	-	(4,410,001)	-
(933,333)	-	(933,333)	-
(22,516,957)	-	(22,516,957)	-
-	321,552	321,552	-
-	1,294,520	1,294,520	-
-	640,753	640,753	-
-	2,256,825	2,256,825	-
(22,516,957)	2,256,825	(20,260,132)	-
-	-	-	(886,447)
-	-	-	(32,100)
-	-	-	(31,092)
-	-	-	(949,639)
16,414,048	-	16,414,048	897,640
5,783,245	-	5,783,245	-
417,271	30,481	447,752	4,637
431,921	-	431,921	-
176,757	-	176,757	2,500
23,223,242	30,481	23,253,723	904,777
706,285	2,287,306	2,993,591	(44,862)
48,962,306	29,251,129	78,213,435	180,638
<b>\$ 49,668,591</b>	<b>\$ 31,538,435</b>	<b>\$ 81,207,026</b>	<b>\$ 135,776</b>

# City of East Lansing, Michigan

## Governmental Funds Balance Sheet June 30, 2006

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments (Note 3)	\$ 5,007,186	\$ 3,584,035	\$ 8,591,221
Receivables - Net (Note 4)	3,183,053	27,201	3,210,254
Due from other governmental units	326,537	667,863	994,400
Due from other funds	164,000	-	164,000
Inventories and prepaids	30,836	22,190	53,026
Total assets	<u>\$ 8,711,612</u>	<u>\$ 4,301,289</u>	<u>\$ 13,012,901</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 256,129	\$ 266,796	\$ 522,925
Accrued and other liabilities	603,601	173,625	777,226
Deferred revenue (Note 4)	3,074,338	186,073	3,260,411
Total liabilities	3,934,068	626,494	4,560,562
<b>Fund Balances</b>			
Reserved for:			
Encumbrances	295,761	201,465	497,226
Inventories and prepaids	30,836	22,190	53,026
Solid waste operations	-	878,227	878,227
Debt service for special assessment bonds	837,356	-	837,356
Unreserved, reported in:			
General Fund:			
Designated (Note 12)	719,374	-	719,374
Undesignated	2,894,217	-	2,894,217
Special Revenue Funds:			
Designated (Note 12)	-	728,155	728,155
Undesignated	-	1,621,921	1,621,921
Debt Service Fund - Undesignated	-	4,889	4,889
Capital Projects Funds -			
Designated (Note 12)	-	217,948	217,948
Total fund balances	<u>4,777,544</u>	<u>3,674,795</u>	<u>8,452,339</u>
Total liabilities and fund balances	<u>\$ 8,711,612</u>	<u>\$ 4,301,289</u>	<u>\$ 13,012,901</u>



# City of East Lansing, Michigan

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## Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets June 30, 2006

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 8,452,339</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	65,939,236
Special assessment and other revenues are recorded in the statement of activities when the revenue is earned; they are not reported in the funds until collected or collectible within 60 days of year end	3,151,073
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(31,766,478)
Bond issuance costs are reported as deferred and are amortized over the term of the related debt	149,864
Internal Service Funds are also included as governmental activities, net of amounts included above as capital assets and long-term liabilities	3,962,491
Accrued interest payable is not due and payable in the current period and is not reported in the funds	<u>(219,934)</u>

<b>Net Assets of Governmental Activities</b>	<b><u>\$ 49,668,591</u></b>
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# City of East Lansing, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2006

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 16,757,941	\$ 1,260,098	\$ 18,018,039
Licenses and permits	1,627,623	-	1,627,623
Federal sources	114,200	751,141	865,341
State sources	6,664,553	2,754,643	9,419,196
Intergovernmental revenue	19,475	581,496	600,971
Charges for services	4,121,081	2,373,125	6,494,206
Fines and forfeitures	3,298,505	40,673	3,339,178
Interest and rentals	278,674	429,685	708,359
Other	945,453	238,052	1,183,505
Total revenue	33,827,505	8,428,913	42,256,418
<b>Expenditures</b>			
Current:			
General government	7,978,518	-	7,978,518
Public safety	16,309,024	-	16,309,024
Public works	800,583	4,465,198	5,265,781
Health, welfare, and community development	103,966	401,661	505,627
Culture and recreation	1,521,154	5,227,307	6,748,461
Capital outlay	-	951,954	951,954
Debt service	-	2,958,861	2,958,861
Total expenditures	26,713,245	14,004,981	40,718,226
<b>Excess of Revenue Over (Under) Expenditures</b>	7,114,260	(5,576,068)	1,538,192
<b>Other Financing Sources (Uses)</b>			
Issuance of long-term debt	-	6,450,000	6,450,000
Extinguishment of debt	-	(6,302,105)	(6,302,105)
Premiums on issuance of debt	-	53,998	53,998
Discounts on issuance of debt	-	(35,378)	(35,378)
Transfers in (Note 6)	-	6,259,559	6,259,559
Transfers out (Note 6)	(5,444,045)	(815,514)	(6,259,559)
Total other financing sources (uses)	(5,444,045)	5,610,560	166,515
<b>Change in Fund Balances</b>	1,670,215	34,492	1,704,707
<b>Fund Balances - Beginning of year</b>	3,107,329	3,640,303	6,747,632
<b>Fund Balances - End of year</b>	<u>\$ 4,777,544</u>	<u>\$ 3,674,795</u>	<u>\$ 8,452,339</u>

# City of East Lansing, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006**

**Net Change in Fund Balances - Total governmental funds** \$ 1,704,707

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay incurred in the current year	2,472,899
Depreciation	(2,832,751)

Special assessment and other revenues are recorded in the statement of activities when the revenue is earned; they are not reported in the funds until collected or collectible within 60 days of year end (1,412,253)

Governmental funds report debt proceeds as revenues and debt principal payments as expenditures; these revenues and costs are reported as liabilities and are not reported as expenditures in the statement of activities:

Bond proceeds from issuance of refunding bonds	(6,450,000)
Extinguishment of defeased debt	5,725,000
Bond principal payments	1,888,159
Burcham Park remediation liability	(555,000)

Governmental funds report bond issuance costs, bond premiums, and deferred charges on refunding as expenditures; these costs are allocated over the related bond term as interest expense:

Bond issuance costs	166,515
Bond premiums and deferred loss on refunding	558,484

Increases in accumulated employee sick and vacation pay are recorded when earned in the statement of activities (90,746)

Contribution of capital assets is recorded as revenue in the statement of activities; it is not recorded at the fund level 108,672

Interest expense is recorded in the statement of activities when incurred; it is not reported in the funds until paid (29,146)

Internal Service Funds are also included as governmental activities (548,255)

**Change in Net Assets of Governmental Activities** **\$ 706,285**

# City of East Lansing, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2006

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and cash equivalents (Note 3)	\$ 47,201	\$ -	\$ 911,295	\$ 958,496	\$ 3,889,211
Receivables - Net (Note 4)	69,024	461,399	701,321	1,231,744	399,379
Due from other governmental units	31,000	-	216,966	247,966	-
Inventories	-	167,033	22,333	189,366	318,859
Total current assets	147,225	628,432	1,851,915	2,627,572	4,607,449
Noncurrent assets:					
Investment in East Lansing-Meridian					
Water and Sewer Authority	-	2,694,792	-	2,694,792	-
Capital assets (Note 5)	25,444,260	6,769,550	39,801,137	72,014,947	13,569,025
Bond refinancing issue costs	228,101	-	-	228,101	-
Total noncurrent assets	25,672,361	9,464,342	39,801,137	74,937,840	13,569,025
Total assets	25,819,586	10,092,774	41,653,052	77,565,412	18,176,474
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	20,696	109,563	623,165	753,424	151,039
Accrued and other liabilities	25,702	23,879	45,530	95,111	229,275
Claims payable (Note 8)	-	-	-	-	264,644
Accrued interest payable	250,277	-	151,621	401,898	-
Due to other funds	164,000	-	-	164,000	-
Deferred revenue	22,000	-	-	22,000	-
Current portion of long-term debt (Note 7):					
Compensated absences	52,504	-	81,887	134,391	288,183
Bonds payable	1,195,000	-	1,495,000	2,690,000	295,000
Total current liabilities	1,730,179	133,442	2,397,203	4,260,824	1,228,141
Noncurrent liabilities - Net of current portion (Note 7):					
Compensated absences	3,165	-	4,937	8,102	236,740
Bonds payable	19,338,962	-	22,419,089	41,758,051	8,591,677
Total noncurrent liabilities	19,342,127	-	22,424,026	41,766,153	8,828,417
Total liabilities	21,072,306	133,442	24,821,229	46,026,977	10,056,558
<b>Net Assets</b>					
Invested in capital assets -					
Net of related debt	4,910,298	6,769,550	15,887,048	27,566,896	4,682,348
Unrestricted	(163,018)	3,189,782	944,775	3,971,539	3,437,568
Total net assets	\$ 4,747,280	\$ 9,959,332	\$ 16,831,823	\$ 31,538,435	\$ 8,119,916

# City of East Lansing, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2006

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenue</b>					
Parking revenue	\$ 3,609,781	\$ -	\$ -	\$ 3,609,781	\$ -
User service charges	-	2,693,126	7,094,603	9,787,729	5,915,655
Equipment and building rental	47,991	-	-	47,991	2,381,255
Other charges for services	-	-	-	-	30,102
Total operating revenue	3,657,772	2,693,126	7,094,603	13,445,501	8,327,012
<b>Operating Expenses</b>					
Purchase of water from East Lansing - Meridian Water and Sewer Authority	-	956,925	-	956,925	-
Disposal plant	-	-	3,574,292	3,574,292	-
Distribution	-	978,982	-	978,982	-
Collection system	-	-	854,368	854,368	-
Pumping station	-	-	61,031	61,031	-
Customer accounts and collection	-	502,772	-	502,772	-
General and administrative	1,656,807	111,623	415,432	2,183,862	7,588,119
Depreciation	641,877	185,117	1,632,037	2,459,031	1,051,768
Total operating expenses	2,298,684	2,735,419	6,537,160	11,571,263	8,639,887
<b>Operating Income (Loss)</b>	1,359,088	(42,293)	557,443	1,874,238	(312,875)
<b>Nonoperating Revenue (Expenses)</b>					
Interest income	-	-	30,481	30,481	167,304
Interest expense	(1,149,645)	-	(248,503)	(1,398,148)	(405,134)
Contributions from DDA	431,310	-	-	431,310	-
Federal and state grants	-	-	-	-	2,450
Loss from joint venture	-	(236,255)	-	(236,255)	-
Total nonoperating expenses	(718,335)	(236,255)	(218,022)	(1,172,612)	(235,380)
<b>Net Income (Loss)</b>	640,753	(278,548)	339,421	701,626	(548,255)
<b>Capital Contributions</b>	-	600,100	985,580	1,585,680	-
<b>Change in Net Assets</b>	640,753	321,552	1,325,001	2,287,306	(548,255)
<b>Net Assets - Beginning of year</b>	4,106,527	9,637,780	15,506,822	29,251,129	8,668,171
<b>Net Assets - End of year</b>	<u>\$ 4,747,280</u>	<u>\$ 9,959,332</u>	<u>\$ 16,831,823</u>	<u>\$ 31,538,435</u>	<u>\$ 8,119,916</u>

# City of East Lansing, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2006

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 3,663,890	\$ 2,793,227	\$ 7,073,007	\$ 13,530,124	\$ 8,392,361
Payments to suppliers	(636,277)	(1,774,266)	(2,755,210)	(5,165,753)	(1,988,988)
Claims paid	-	-	-	-	(5,985,737)
Payments to employees	(1,060,443)	(919,676)	(2,187,807)	(4,167,926)	(933,870)
Payments from other funds	164,000	-	-	164,000	-
Net cash provided by (used in) operating activities	2,131,170	99,285	2,129,990	4,360,445	(516,234)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Principal and interest paid on long-term debt	(2,269,203)	-	(1,445,635)	(3,714,838)	(602,333)
Proceeds from issuance of long-term debt	-	-	2,747,955	2,747,955	-
Federal and state grants	-	-	-	-	2,450
Contribution from DDA	431,310	-	-	431,310	-
Purchase of capital assets	(250,375)	(99,285)	(3,127,213)	(3,476,873)	(638,420)
Net cash used in capital and related financing activities	(2,088,268)	(99,285)	(1,824,893)	(4,012,446)	(1,238,303)
<b>Cash Flows from Investing Activities -</b>					
Interest received on investments	-	-	30,481	30,481	177,668
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	42,902	-	335,578	378,480	(1,576,869)
<b>Cash and Cash Equivalents - Beginning of year</b>	4,299	-	575,717	580,016	5,466,080
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 47,201</u>	<u>\$ -</u>	<u>\$ 911,295</u>	<u>\$ 958,496</u>	<u>\$ 3,889,211</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 1,359,088	\$ (42,293)	\$ 557,443	\$ 1,874,238	\$ (312,875)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	641,877	185,117	1,632,037	2,459,031	1,051,768
Changes in assets and liabilities:					
Receivables	6,118	95,673	(21,596)	80,195	65,349
Due from other governmental units	(31,000)	-	344,674	313,674	-
Other assets	-	(25,644)	(10,808)	(36,452)	(82,757)
Accounts payable	(34,043)	(118,164)	(284,681)	(436,888)	(1,322,203)
Accrued wages	3,530	-	(19,509)	(15,979)	4,734
Due to other governmental units	-	-	(77,316)	(77,316)	-
Other liabilities	(400)	4,596	9,746	13,942	79,750
Due to other funds	164,000	-	-	164,000	-
Deferred revenue	22,000	-	-	22,000	-
Net cash provided by (used in) operating activities	<u>\$ 2,131,170</u>	<u>\$ 99,285</u>	<u>\$ 2,129,990</u>	<u>\$ 4,360,445</u>	<u>\$ (516,234)</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2006, the Building Authority issued refunding bonds to advance refund the 2000 Building Authority bonds as discussed in Note 7. This resulted in bond proceeds of \$6,480,000 that extinguished bonds of \$5,980,000. The remaining \$500,000 was properly capitalized or accrued as bond issuance costs, premiums on debt issuance, and deferred loss on refunding. In addition, developers constructed water lines and sewage improvements with a value of \$1,585,680 and donated them to the City. The City is also amortizing deferred charges on bond refundings, which amounted to \$63,401.

# City of East Lansing, Michigan

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## **Fiduciary Fund Statement of Assets and Liabilities June 30, 2006**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash	\$ 902,315
Investments	869
Receivables - Net	<u>160,602</u>
Total assets	<u><b>\$ 1,063,786</b></u>
<b>Liabilities</b>	
Accounts payable	\$ 12,046
Due to other governmental units	288,325
Accrued and other liabilities	<u>763,416</u>
Total liabilities	<u><b>\$ 1,063,786</b></u>

# City of East Lansing, Michigan

## Component Units Statement of Net Assets June 30, 2006

	Downtown Development Authority	Downtown Management Board	Brownfield Redevelopment Authority	Total
<b>Assets</b>				
Cash and investments	\$ 54,673	\$ 22,918	\$ 640	\$ 78,231
Receivables - Net	8,953	93,700	38,500	141,153
Due from other governmental units	13,277	-	-	13,277
Capital assets - Net (Note 5)	<u>636,936</u>	<u>-</u>	<u>-</u>	<u>636,936</u>
Total assets	713,839	116,618	39,140	869,597
<b>Liabilities</b>				
Accounts payable	32,466	1,355	-	33,821
Bonds payable (Note 7)	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Total liabilities	<u>732,466</u>	<u>1,355</u>	<u>-</u>	<u>733,821</u>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	(63,064)	-	-	(63,064)
Unrestricted	<u>44,437</u>	<u>115,263</u>	<u>39,140</u>	<u>198,840</u>
Total net assets	<u>\$ (18,627)</u>	<u>\$ 115,263</u>	<u>\$ 39,140</u>	<u>\$ 135,776</u>



## City of East Lansing, Michigan

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		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants/ Contributions
Downtown Development Authority	\$ 921,013	\$ 34,566	\$ -
Downtown Management Board	52,100	-	20,000
Brownfield Redevelopment Authority	<u>129,592</u>	<u>8,500</u>	<u>90,000</u>
Total component unit activities	<u><b>\$ 1,102,705</b></u>	<u><b>\$ 43,066</b></u>	<u><b>\$ 110,000</b></u>

### General revenues:

Property taxes

Interest

Miscellaneous

Total general revenues

### Change in Net Assets

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Component Units  
Statement of Activities  
Year Ended June 30, 2006**

Net (Expense) Revenue and Changes in Net Assets			
Downtown Development Authority	Downtown Management Board	Brownfield Redevelopment Authority	Total
\$ (886,447)	\$ -	\$ -	\$ (886,447)
-	(32,100)	-	(32,100)
-	-	(31,092)	(31,092)
(886,447)	(32,100)	(31,092)	(949,639)
859,048	-	38,592	897,640
3,559	792	286	4,637
-	2,500	-	2,500
862,607	3,292	38,878	904,777
(23,840)	(28,808)	7,786	(44,862)
5,213	144,071	31,354	180,638
<u>\$ (18,627)</u>	<u>\$ 115,263</u>	<u>\$ 39,140</u>	<u>\$ 135,776</u>

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of East Lansing, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of East Lansing, Michigan:

#### Reporting Entity

The City of East Lansing, Michigan is governed by an elected five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

**Discretely Presented Component Units** - The following component units are reported within the component unit column in the combined financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. This authority's governing body, which consists of 13 individuals, is appointed by the City Council. In addition, the authority's budget is subject to approval by the City Council. The authority's administrative office is located at 410 Abbott Road, East Lansing, MI 48823.
- b. The Downtown Management Board was formed by the City Council in accordance with Michigan Public Act 146 to market and promote the downtown, to maintain common areas of the downtown, and to recruit and retain business in the downtown. This board's governing body, which consists of nine individuals, is appointed by the City Council. In addition, the board's budget is subject to approval by the City Council. The board's administrative office is located at 410 Abbott Road, East Lansing, MI 48823.
- c. The Brownfield Redevelopment Authority was formed by the City Council in fiscal year 2003-2004 in accordance with P.A. 381. The governing body is comprised of the same 13 individuals who were appointed by Council to the Downtown Development Authority. The purpose of the Authority is to authorize and permit the use of certain tax incremental financing for developmental projects, preferably on contaminated or blighted areas. The authority's administrative office is located at 410 Abbott Road, East Lansing, MI 48823.

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Amounts reported as general revenues represent:

- a. Revenues received from the City's own taxpayers (property taxes)
- b. Revenues received from parties outside the government whose use is unrestricted (state-shared revenue, franchise fees, and other miscellaneous revenues)
- c. Revenues generated by the City itself (unrestricted investment earnings)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### **Note I - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The government reports the following major governmental fund:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

**Automobile Parking System Fund** - The Automobile Parking System Fund is used to account for revenue and expenses relating to street meters, metered parking lots, two attended parking lots, and four attended parking ramps. The Building Authority was used to construct the parking structure and its activities have been blended into the Automobile Parking System Fund.

**Water Supply System Fund** - The Water Supply System Fund is used to account for the purchase and distribution of water to East Lansing citizens. Treated water is purchased from the East Lansing - Meridian Water and Sewer Authority. User charges to customers based upon water consumption account for substantially all of the revenue of this fund.

**Sewage Disposal System Fund** - The Sewage Disposal System Fund is used to account for the sewage collection system within the City and the wastewater treatment plant. Revenue consists of resident user fees and wastewater treatment payments by Michigan State University and Meridian Township.

### **Note I - Summary of Significant Accounting Policies (Continued)**

Additionally, the City reports the following fund types:

**Internal Service Funds** - Internal Service Funds account for financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The following activities are reported in internal service funds: self-insured workers' compensation, operation and maintenance of the motor vehicle fleet, and computers and equipment used by the various City departments.

**Fiduciary Fund (Agency Fund)** - The Fiduciary Fund (Agency Fund) is used to account for the collection of property taxes due to other jurisdictions, developer deposits, and escrow accounts that will subsequently be transferred to third parties.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewage Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Property Taxes** - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2005 tax is levied and collectible on July 1, 2005, and is recognized as revenue in the year ended June 30, 2006, when the proceeds of the levy are budgeted and available for the financing of operations. The 2005 taxable valuation of the City totaled \$789 million. The tax levy and related revenue (net of delinquent amounts, etc.) were as follows:

Purpose	Millage Rate	Revenue
General operating	15.7167	\$ 12,399,000
Debt	1.9733	1,557,000
Other tax items		<u>2,802,000</u>
Total reported in the General Fund		16,758,000
Solid Waste Fund	1.5900	<u>1,260,000</u>
Total		<u>\$ 18,018,000</u>

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 or an aggregate cost of more than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets acquired prior to the adoption of GASB 34 have been retroactively reported.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	50 years
Land improvements	20 to 30 years
Equipment	7 years
Infrastructure - Traffic signals, street lights, pathways, sidewalks, bridges	15 to 50 years
Streets	25 years
Water and sewer mains	50 years
Library books and electronic resources	5 years
Vehicles	3 to 7 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick pay is accrued for employees eligible to retire who will be paid out when they separate from service with the City as well as an estimate for those employees who will become eligible to retire based on past results. Sick pay is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund is included in the required supplemental information. Budget comparisons for the budgeted nonmajor funds are included in other supplemental information. The Community Development Block Grant Fund has been budgeted over the life of the projects and, therefore, its financial activity has been omitted from the budget statement.

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

The Parking Fund had a deficit of approximately \$163,000 at June 30, 2006. The net effect of the accounting for the refunding of two series of bonds in fiscal year 2006 produced a deficit in the fund. The deficit related to this transaction will be eliminated as the economic gain of the new bond issue materializes over the life of the bond term.

### **Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in instruments that are acceptable under Michigan Public Act 20 of 1943 as amended. In addition, the City imposes other restrictions on allowable investments. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that the Agency Fund investment earnings are allocated to the General Fund.

The City has designated 15 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$11,389,371 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the average maturities of the U.S. agency securities and the U.S. government securities are six months.

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the City has \$644,924 in mutual funds that are unrated.

### Note 4 - Receivables

Receivables as of year end for the City's individual major funds, and the nonmajor and Internal Service in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Nonmajor and Other Funds	Total
Receivables:						
Taxes	\$ 103,441	\$ -	\$ -	\$ -	\$ 3,948	\$ 107,389
Accounts	552,956	69,024	461,399	698,067	42,290	1,823,736
Special assessments	2,620,377	-	-	-	338,947	2,959,324
Interest and other	45,728	-	-	3,254	50,683	99,665
Less allowance for uncollectibles	<u>139,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,288</u>	<u>148,737</u>
Net receivables	<u>\$ 3,183,053</u>	<u>\$ 69,024</u>	<u>\$ 461,399</u>	<u>\$ 701,321</u>	<u>\$ 426,580</u>	<u>\$ 4,841,377</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the City has \$3,260,411 in deferred revenue, of which \$3,151,076 in unavailable special assessment and grant revenue and \$109,335 is unearned by the City at year end.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities and the component units was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 5,760,394	\$ 754,000	\$ -	\$ 6,514,394
Construction in progress	-	14,017	-	14,017
Subtotal	5,760,394	768,017	-	6,528,411
Capital assets being depreciated:				
Land improvements	4,641,216	-	-	4,641,216
Buildings and improvements	35,301,935	262,412	-	35,564,347
Vehicles	6,686,681	125,700	-	6,812,381
Equipment	9,078,243	859,305	-	9,937,548
Library books and electronic resources	1,041,448	150,477	171,844	1,020,081
Traffic signals	1,382,160	45,000	-	1,427,160
Streets	34,362,780	1,145,093	-	35,507,873
Decorative street lights	1,237,744	-	-	1,237,744
Pathways	39,366	-	-	39,366
Sidewalks	8,134	-	-	8,134
Bridges	772,735	-	-	772,735
Subtotal	94,552,442	2,587,987	171,844	96,968,585
Accumulated depreciation:				
Land improvements	1,304,114	227,418	-	1,531,532
Buildings and improvements	6,135,277	707,035	-	6,842,312
Vehicles	4,375,116	611,244	-	4,986,360
Equipment	7,260,255	585,106	-	7,845,361
Library books and electronic resources	613,288	171,141	171,844	612,585
Traffic signals	785,931	86,592	-	872,523
Streets	12,588,637	1,398,793	-	13,987,430
Decorative street lights	598,712	82,542	-	681,254
Pathways	2,952	1,968	-	4,920
Sidewalks	407	271	-	678
Bridges	177,350	15,455	-	192,805
Subtotal	33,842,039	3,887,565	171,844	37,557,760
Net capital assets being depreciated	60,710,403	(1,299,578)	-	59,410,825
Net capital assets	\$ 66,470,797	\$ (531,561)	\$ -	\$ 65,939,236

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 2,186,695	\$ -	\$ -	\$ 2,186,695
Construction in progress	5,833,631	3,014,797	-	8,848,428
Subtotal	8,020,326	3,014,797	-	11,035,123
Capital assets being depreciated:				
Buildings and building improvements	47,934,059	250,375	-	48,184,434
Water and sewer mains	38,221,586	1,686,683	-	39,908,269
Equipment	7,292,678	110,699	-	7,403,377
Subtotal	93,448,323	2,047,757	-	95,496,080
Accumulated depreciation:				
Buildings and building improvements	20,106,767	1,041,574	-	21,148,341
Water and sewer mains	10,575,077	1,075,876	-	11,650,953
Equipment	1,375,381	341,581	-	1,716,962
Subtotal	32,057,225	2,459,031	-	34,516,256
Net capital assets being depreciated	61,391,098	(411,274)	-	60,979,824
Net capital assets	\$ 69,411,424	\$ 2,603,523	\$ -	\$ 72,014,947
<b>Component Units</b>	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Capital assets being depreciated -				
Buildings and building improvements	\$ 699,467	\$ -	\$ -	\$ 699,467
Accumulated depreciation -				
Buildings and building improvements	48,682	13,849	-	62,531
Net capital assets	\$ 650,785	\$ (13,849)	\$ -	\$ 636,936

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 198,630
Public safety	194,466
Public works	1,648,796
Community and economic development	1,510
Culture and recreation	789,349
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>1,054,814</u>
Total governmental activities	<u>\$ 3,887,565</u>

Business-type activities:

Water	\$ 185,117
Sewer	1,632,037
Parking	<u>641,877</u>
Total business-type activities	<u>\$ 2,459,031</u>

**Construction Commitments** - The City has an active construction project at year end. The project relates to the combined sewer overflow project design at an estimated cost of \$8,628,390. At year end, the City's commitments with contractors are \$592,915.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 6 - Interfund Transfers

Interfund transfers for the year ended June 30, 2006 consisted of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Library Fund	\$ 1,612,740
	Senior Fund	134,490
	Parks and Recreation Fund	1,208,750
	Debt Service Fund	2,299,800
	Capital Projects Fund	<u>188,265</u>
	Subtotal	5,444,045
Major Streets Fund	Local Streets Fund	639,637
Library Fund	Debt Service Fund	<u>175,877</u>
	Subtotal	<u>815,514</u>
	Total interfund transfers	<u>\$ 6,259,559</u>

Transfers are used to provide resources from unrestricted General Fund revenues to finance various programs accounted for in other funds, in accordance with budgetary authorizations. In addition, the Major Streets Fund is allowed under Act 51 to share a portion of its gas and weight tax revenues with the Local Streets Fund. The Library Fund's transfer is used to move funds collected by the Library Fund to the Debt Service Fund as debt service payments come due.

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 7 - Long-term Debt

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds:					
Unlimited Tax Refunding Bonds	\$ 920,000	\$ -	\$ 295,000	\$ 625,000	\$ 310,000
Unlimited Tax Bonds Series A (1996)	3,545,000	-	2,870,000	675,000	255,000
Unlimited Tax Bonds Series B (1998)	7,215,000	-	295,000	6,920,000	400,000
Unlimited Tax Bonds Series (1999)	1,275,000	-	150,000	1,125,000	65,000
Limited Tax Downtown Development Bonds (2000)	3,460,000	-	3,165,000	295,000	70,000
Unlimited Tax Refunding Bonds (2005)	-	2,795,000	75,000	2,720,000	25,000
Limited Tax Downtown Development Refunding Bonds (2005)	-	3,655,000	20,000	3,635,000	35,000
2003 Public Service Garage Bonds	6,665,000	-	200,000	6,465,000	200,000
2004 Limited Tax Bonds	2,500,000	-	60,000	2,440,000	95,000
Less discounts and deferred charge on refunding	(81,124)	(496,587)	(56,752)	(520,959)	-
Installment purchase contract - Court computers	-	132,964	43,158	89,806	44,311
Special assessment bonds:					
Bond Series A (1998)	295,000	-	100,000	195,000	100,000
Bond Series B (1998)	150,000	-	50,000	100,000	50,000
Bond Series (2002)	3,735,000	-	550,000	3,185,000	545,000
Other long-term obligations:					
Burcham Park remediation costs	-	555,000	-	555,000	-
Compensated absences	3,167,153	1,983,343	1,887,865	3,262,631	1,792,685
Total governmental activities	\$ 32,846,029	\$ 8,624,720	\$ 9,704,271	\$ 31,766,478	\$ 3,986,996

The Limited Tax Downtown Development Bonds (2000 and 2005) are intended to be funded by contributions from the Downtown Development Authority.



# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
General obligation bonds:					
Unlimited Tax Refunding Bonds, Series A 1993	\$ 175,000	\$ -	\$ 175,000	\$ -	\$ -
Limited Tax Building Authority Refunding Bonds Series 1999	7,115,000	-	450,000	6,665,000	475,000
Limited Tax Bonds Series 1994 - CSO	3,855,000	-	290,000	3,565,000	290,000
Limited Tax Bonds Series 1995 - CSO	8,265,000	-	605,000	7,660,000	620,000
Limited Tax Bonds Series 1996	2,585,000	-	155,000	2,430,000	165,000
Building Authority Bonds 1997	760,000	-	40,000	720,000	40,000
Building Authority Bonds 2000	11,325,000	-	6,310,000	5,015,000	345,000
Limited Tax Certificates of Participation 2001	2,315,000	-	170,000	2,145,000	175,000
Limited Tax Bonds Series 2000	550,000	-	25,000	525,000	25,000
Limited Tax Certificates of Participation 2001B	1,700,000	-	125,000	1,575,000	130,000
Limited Tax Bond Series 2004 - CSO	5,738,912	2,747,955	-	8,486,867	390,000
Building Authority Refunding Bonds 2005	-	6,480,000	15,000	6,465,000	35,000
Less discounts and deferred charge on refunding	(276,312)	(590,905)	(63,401)	(803,816)	-
Other long-term obligations - Compensated absences	158,472	136,626	152,605	142,493	134,391
Total business-type activities	<u>\$ 44,266,072</u>	<u>\$ 8,773,676</u>	<u>\$ 8,449,204</u>	<u>\$ 44,590,544</u>	<u>\$ 2,824,391</u>
<b>Downtown Development Authority -</b>					
Installment loan agreement - Building	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ -</u>

In November 2001, the Downtown Development Authority purchased the building located at 303 Abbott. The acquisition was financed with the proceeds of a Core Communities Fund Program economic development financing agreement in the amount of \$700,000, with the Michigan Economic Development Corporation (MEDC). Annual principal and interest payments have been deferred by the MEDC and no short-term liability has been recorded as of June 30, 2006.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above obligations (excluding compensated absences and deferred changes in refunding) are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 2,194,311	\$ 1,214,927	\$ 3,409,238	\$ 2,690,000	\$ 1,625,424	\$ 4,315,424
2008	2,230,494	1,115,653	3,346,147	2,795,000	1,532,549	4,327,549
2009	1,760,000	1,035,377	2,795,377	2,880,000	1,433,803	4,313,803
2010	1,815,000	964,009	2,779,009	2,985,000	1,331,005	4,316,005
2011	1,850,000	888,491	2,738,491	3,100,000	1,223,084	4,323,084
2012-2016	8,195,001	3,354,904	11,549,905	17,325,000	4,325,699	21,650,699
2017-2021	5,730,000	1,795,583	7,525,583	8,465,000	1,611,788	10,076,788
2022-2026	3,845,000	725,720	4,570,720	5,011,867	410,247	5,422,114
2027-2028	850,000	59,431	909,431	-	-	-
Total	<u>\$ 28,469,806</u>	<u>\$ 11,154,095</u>	<u>\$ 39,623,901</u>	<u>\$ 45,251,867</u>	<u>\$ 13,493,599</u>	<u>\$ 58,745,466</u>

### Defeased Debt

During fiscal year 2006, the City issued Unlimited Tax Refunding Bonds (2005) at a premium with a par amount of \$2,795,000 and an average coupon rate of 3.879 percent. The proceeds were used to partially advance refund the 1996 Unlimited Tax Bonds, Series A, in the amount of \$2,630,000 with an average coupon rate of 5.822 percent. The net proceeds of \$2,774,663, including issuance of net premium of \$53,998 (after payment of \$74,335 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. The advance refunding decreased total debt service payments over the next 10 years by \$150,367. There is an economic gain of \$128,764 to the City. The deferred amount on refunding is the difference between the reacquisition price of \$2,774,663 and the net carrying amount of the old debt of \$2,630,000.

The net deferred accounting loss on refunding of \$144,663 will be amortized using the straight-line method over the life of the new bonds. As a result, the bonds payable and investments have been removed from the books of the City.

### Note 7 - Long-term Debt (Continued)

During the fiscal year 2006, the City issued Limited Tax Downtown Development Refunding Bonds (2005) at a discount with a par amount of \$3,655,000 and an average coupon rate of 5.174 percent. The proceeds were used to partially advance refund the 2000 Limited Tax Downtown Development Bonds in the amount of \$3,095,000 with an average coupon rate of 7.476 percent. The net proceeds of \$3,527,442, less issuance of net discount of \$35,378 (after payment of \$92,180 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. The advance refunding decreased total debt service payments over the next 19 years by \$238,647. There is an economic gain of \$150,830 to the City. The deferred amount on refunding is the difference between the reacquisition price of \$3,527,442 and the net carrying amount of the old debt of \$3,095,000.

The net deferred accounting loss on refunding of \$432,442 will be amortized using the straight-line method over the life of the new bonds. As a result, the bonds payable and investments have been removed from the books of the City.

During fiscal year 2006, the Building Authority issued Building Authority Refunding Bonds (2005) at a premium with a par amount of \$6,480,000 and an average coupon rate of 4.098 percent. The proceeds were used to partially advance refund the 2000 Building Authority Bonds in the amount of \$5,980,000 with an average coupon rate of 5.484 percent. The net proceeds of \$6,450,107, including issuance of net premium of \$113,767 (after payment of \$143,660 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. The advance refunding decreased total debt service payments over the next 19 years by \$569,002. There is an economic gain of \$400,598 to the Authority. The deferred amount on refunding is the difference between the reacquisition price of \$6,450,107 and the net carrying amount of the old debt of \$5,803,755.

The net deferred accounting loss on refunding of \$646,352 will be amortized using the straight-line method over the life of the new bonds. As a result, the bonds payable and investments have been removed from the Building Authority.

At June 30, 2006, approximately \$11,705,000 of bonds outstanding are considered defeased.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as prescription benefits provided to employees. The City has purchased commercial insurance for property loss, torts, and errors and omissions claims. All eligible employees are covered by commercial health insurance. The City is self-insured for employees' injuries (workers' compensation) and prescription claims. The City has purchased commercial stop-loss insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past 20 fiscal years.

The City estimates the liability for employee injuries (workers' compensation) and prescription claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. This liability is reported in the Insurance and Benefits Internal Service Fund and in governmental activities in the government-wide financial statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2006	2005
<b>Unpaid Claims - Beginning of year</b>	\$ 264,867	\$ 408,522
Incurred claims (including claims incurred but not reported)	1,577,032	3,057,434
Claim payments	(1,577,255)	(3,201,089)
<b>Unpaid Claims - End of year</b>	<u>\$ 264,644</u>	<u>\$ 264,867</u>

### Note 9 - Defined Benefit Pension Plan and Postretirement Benefits

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1147 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees up to 6.7 percent of gross wages for various bargaining units.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 9 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

**Annual Pension Costs** - For the year ended 2006, the City's annual pension cost of \$2,585,796 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2.5 percent per year cost-of-living adjustments for police and fire. Both (a) and (b) include an inflation assumption of 4.5 percent per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2004	2005	2006
Annual pension costs (APC)	\$ 2,085,242	\$ 2,457,259	\$ 2,585,796
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-
	Actuarial Valuation as of December 31		
	2003	2004	2005
Actuarial value of assets	\$ 86,106,367	\$ 88,846,287	\$ 91,500,724
Actuarial accrued liability (entry age)	110,274,433	116,298,037	123,228,403
Unfunded AAL (UAAL)	24,168,066	27,451,750	31,727,679
Funded ratio	78%	76%	74%
Covered payroll	14,934,354	14,809,360	15,069,393
UAAL as a percentage of covered payroll	162%	185%	211%

### **Note 9 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)**

#### **Defined Contribution Pension Plan**

Effective November 1, 1999, the City provides pension benefits to its various nonunion senior, nonunion junior, UAW nonsupervisory senior, UAW nonsupervisory junior, and independent employees through a MERS defined contribution plan. The MERS defined contribution plan provides retirement and death benefits to plan members and their beneficiaries. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation with the City's competitive bargaining units, the City contributes 7.0 percent to 10.5 percent and employees contribute up to 3.5 percent of employees' gross earnings. In accordance with these requirements, the City contributed \$572,304 during the current year, and employees contributed \$187,313.

#### **Postretirement Benefits**

The City provides health care benefits to various employees in accordance with the various bargaining units' contracts upon retirement. Currently, 184 retirees are eligible. The City includes retirees and their spouses in either its commercial health insurance or its self-insured health care plan, with no contribution required by the participant. Expenditures for postemployment health care benefits are recognized as the claims are incurred or premiums are paid; during the year, this amounted to \$1,401,480.

The City also is advance funding postretirement health care benefits on a basis which is not actuarially determined. During the year ended June 30, 2006, there were no contributions for advance funding. At June 30, 2006, the net assets available for future benefit payments totaled \$1,780,080 and have been recorded in the Insurance and Benefits Fund (an Internal Service Fund type).

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning July 1, 2008.

# City of East Lansing, Michigan

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## Notes to Financial Statements June 30, 2006

### Note 10 - Joint Venture

The City is a member of the East Lansing - Meridian Water and Sewer Authority (the "Authority"), which provides water services to the residents of the City of East Lansing and the Charter Township of Meridian. The participating communities provide annual funding for its operations. During the current year, the City contributed \$956,925 for its operations and debt. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City appoints three members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture is obtained from audited financial statements as of June 30, 2006. Complete financial statements for the East Lansing - Meridian Water and Sewer Authority can be obtained from the administrative offices at 410 Abbott Road, East Lansing, Michigan.

Total assets	\$ 7,831,391
Total liabilities	391,936
Total net assets	7,439,455
Total operating revenue	2,510,092
Total operating expenses	2,655,356
Decrease in net assets	565,839

### Note 11 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Surplus at July 1, 2005	\$ 253,313
Current year building permit revenue	844,003
Related expenses:	
Direct costs	584,703
Indirect costs	542,271
Cumulative shortfall at June 30, 2006	<u>\$ (29,658)</u>

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2006

### Note 12 - Designated Fund Balance

Fund balances have been designated for the following purposes:

	General Fund	Special Revenue Funds	Capital Projects Funds
Appropriated for 2007 budget	\$ 468,155	\$ 364,280	\$ -
Designated for special purposes	<u>251,219</u>	<u>363,875</u>	<u>217,948</u>
Total	<u>\$ 719,374</u>	<u>\$ 728,155</u>	<u>\$ 217,948</u>

### Note 13 - Burcham Park

During the 1950s, the City operated a public landfill at the corner of Park Lake Road and Burcham Drive. In 1996, the site was converted to a recreation park. In 1997, soil borings revealed hazardous material in the landfill material slightly above the residential clean-up criteria and the site was deemed a "facility" under Part 201 of NREPA. The City proceeded toward "closure" of the site under Department of Environmental Quality (DEQ) monitoring.

Recently, the DEQ notified the City of new closure criteria, per a draft DEQ policy, regarding acceptable methane levels. In March 2006, the City undertook remediation efforts. Total costs to comply with current DEQ policy are estimated at \$555,000 and a liability has been recorded in the government-wide statements (see Note 7).



## **Required Supplemental Information**

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# City of East Lansing, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Resources (Inflows)</b>				
Property taxes	\$ 15,948,330	\$ 15,948,330	\$ 16,757,941	\$ 809,611
Licenses and permits	1,304,200	1,344,200	1,627,623	283,423
Intergovernmental revenue	6,326,785	6,766,785	6,798,228	31,443
Charges for services	3,434,100	3,434,100	3,477,681	43,581
Fines and forfeitures	3,234,000	3,422,265	3,590,145	167,880
Interest income	160,000	187,000	278,674	91,674
Other	828,605	827,605	945,453	117,848
Transfers in - Other funds	643,400	643,400	643,400	-
Other financing sources - Fund balance	239,845	541,836	-	(541,836)
Total resources (inflows)	<u>\$ 32,119,265</u>	<u>\$ 33,115,521</u>	<u>\$ 34,119,145</u>	<u>\$ 1,003,624</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	8,072,895	8,072,895	7,888,518	184,377
Public safety	16,093,640	16,558,469	16,309,024	249,445
Public works - Sanitation	157,550	163,550	162,388	1,162
Public works - Highway and streets	825,595	719,595	638,195	81,400
Health and welfare and community development	135,700	186,364	83,966	102,398
Culture and recreation	1,416,275	1,523,273	1,521,154	2,119
Other expenditures	40,175	35,675	-	35,675
Transfer out - Other funds	5,377,435	5,855,700	5,845,685	10,015
Total charges to appropriations (outflows)	<u>\$ 32,119,265</u>	<u>\$ 33,115,521</u>	<u>\$ 32,448,930</u>	<u>\$ 666,591</u>
<b>Fund Balance Reconciliation</b>				
Fund Balance - Beginning of the year	\$ 2,917,485	\$ 2,437,380	\$ 3,107,329	\$ 669,949
Change in fund balance	<u>(239,845)</u>	<u>(541,836)</u>	<u>1,670,215</u>	<u>(2,212,051)</u>
Fund Balance - End of year	<u>\$ 2,677,640</u>	<u>\$ 1,895,544</u>	<u>\$ 4,777,544</u>	<u>\$ (1,542,102)</u>

## **Other Supplemental Information**

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# City of East Lansing, Michigan

## Note to Required Supplemental Information Year Ended June 30, 2006

**Budgetary Information** - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. All annual appropriations lapse at fiscal year end.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, and the Debt Service Fund, with the following exceptions:

- a. Fund balance appropriations are reported as a resource.
- b. Transfers out to other funds are reported as a charge to appropriations.
- c. Transfers in from other funds are reported as an amount available for appropriations.

By the end of February each year, all department heads submit spending requests to the Finance Director so that a budget may be prepared. Before the first Council meeting in April, the proposed budget is submitted to the City Council for review. Public hearings are held, and a final budget is adopted no later than the second Council meeting in May. The City Council must approve any budget amendments. The General Fund and Special Revenue Funds budgets were amended by \$996,256 and \$708,320, respectively; however, the final budget amendment was approved after June 30. The budget is adopted on a functional basis. Although spending estimates are produced for each line item, budgetary control is exercised at the functional level. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts or purchase orders for goods or services. Encumbrances are not included as expenditures or liabilities. Unexpended appropriations lapse at year end.

# City of East Lansing, Michigan

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## Nonmajor Governmental Funds

*Major Streets Fund* - This fund is used to account for state gasoline and weight taxes allocated to the City for the maintenance and repair of approximately 20 miles of major streets. Also recorded in this fund are expenditures for the repair and maintenance of eight miles of state highway trunklines, namely Michigan Avenue, Grand River Avenue, and Saginaw Street, which are reimbursed under contract from the State.

*Local Streets Fund* - This fund is used to account for state gasoline and weight taxes allocated to the City for the maintenance and repair of approximately 59 miles of local streets. This fund also receives contributions from the Major Street Fund and the General Fund to help maintain the local streets.

*Library Fund* - This fund is used to account for the activities of the City's library. Revenue consists primarily of contributions from the General Fund as well as library book fines, an allocation of county penal fines, state aid to libraries, and miscellaneous gifts and bequests.

*Senior Fund* - This fund is used to account for the activities of the East Lansing Seniors Program. The Seniors Program provides recreational classes, tax assistance, small-appliance repair, travel opportunities, and other activities for seniors.

*Community Development Block Grant Fund (CDBG)* - This fund is a series of funds, each of which records an annual grant from the U.S. Department of Housing and Urban Development. These grants begin July of each year and may continue until the entire grant is expended. The grant monies are expended in accordance with federal guidelines to improve the quality of the City's housing stock and to physically improve neighborhoods in qualifying target areas.

*Parks and Recreation Fund* - This fund is used to account for the operating costs and administrative costs of the Hannah Community Center, the Aquatic Center, and various parks and recreation facilities.

*Solid Waste Management Fund* - This fund is used to account for the solid waste removal program of the City including curbside residential trash collection, recycling services, and landfill costs. A solid waste millage is levied and trash bag and refuse sticker fees are charged.

*Art Festival Fund* - These funds are used to account for the East Lansing Arts Festival. Revenue consists primarily of receipts from sponsors and fees.

*Debt Service Fund* - The Debt Service Fund is used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt other than debt payable from the operations of an Enterprise Fund.

## **City of East Lansing, Michigan**

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### **Nonmajor Governmental Funds (Continued)**

*Capital Projects Fund* - This fund is used to account for the following projects: Cool Cities initiative; City property acquisition; Virginia Avenue project; City parks; and special assessments.

*Capital Projects Fund Parks* - This fund is used to account for the improvements to the Aquatics Center and Soccer Complex amenities.

# City of East Lansing, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Library Fund	Senior Fund	CDBG Fund
<b>Assets</b>					
Cash and investments	\$ 1,471,045	\$ 94,953	\$ 249,354	\$ 39,468	\$ -
Receivables - Net	8,093	4,423	1,238	-	-
Due from other governmental units	332,120	100,092	-	-	49,828
Inventories and prepaids	-	-	745	-	-
Total assets	<u>\$ 1,811,258</u>	<u>\$ 199,468</u>	<u>\$ 251,337</u>	<u>\$ 39,468</u>	<u>\$ 49,828</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 38,207	\$ 55,455	\$ 11,812	\$ 1,202	\$ 49,828
Accrued and other liabilities	3,662	1,239	70,212	3,756	-
Deferred revenue	-	-	250	-	-
Total liabilities	41,869	56,694	82,274	4,958	49,828
<b>Fund Balances</b>					
Reserved for:					
Inventories and prepaids	-	-	745	-	-
Solid waste operations	-	-	-	-	-
Encumbrances	152,291	3,093	-	-	-
Unreserved:					
Designated	387,050	117,305	108,800	-	-
Undesignated	1,230,048	22,376	59,518	34,510	-
Total fund balances	<u>1,769,389</u>	<u>142,774</u>	<u>169,063</u>	<u>34,510</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,811,258</u>	<u>\$ 199,468</u>	<u>\$ 251,337</u>	<u>\$ 39,468</u>	<u>\$ 49,828</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006**

				Capital Projects Funds		Total Nonmajor Governmental Funds
Parks and Recreation Fund	Solid Waste Management Fund	Art Festival Fund	Debt Service Fund	Capital Projects Fund	Capital Projects Fund Parks	
\$ 547,968	\$ 901,186	\$ 3,135	\$ 15,693	\$ 192,700	\$ 68,533	\$ 3,584,035
6,803	6,644	-	-	-	-	27,201
-	-	-	-	185,823	-	667,863
-	21,445	-	-	-	-	22,190
<u>\$ 554,771</u>	<u>\$ 929,275</u>	<u>\$ 3,135</u>	<u>\$ 15,693</u>	<u>\$ 378,523</u>	<u>\$ 68,533</u>	<u>\$ 4,301,289</u>
\$ 76,082	\$ 24,399	\$ 2,374	\$ -	\$ 7,437	\$ -	\$ 266,796
78,693	5,204	55	10,804	-	-	173,625
-	-	-	-	185,823	-	186,073
154,775	29,603	2,429	10,804	193,260	-	626,494
-	21,445	-	-	-	-	22,190
-	878,227	-	-	-	-	878,227
10,233	-	-	-	35,848	-	201,465
115,000	-	-	-	149,415	68,533	946,103
274,763	-	706	4,889	-	-	1,626,810
399,996	899,672	706	4,889	185,263	68,533	3,674,795
<u>\$ 554,771</u>	<u>\$ 929,275</u>	<u>\$ 3,135</u>	<u>\$ 15,693</u>	<u>\$ 378,523</u>	<u>\$ 68,533</u>	<u>\$ 4,301,289</u>



# City of East Lansing, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Library Fund	Senior Fund	CDBG Fund
<b>Revenue</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	741,191
State sources	2,038,421	606,176	16,740	-	-
Intergovernmental revenue	115,983	-	148,845	-	-
Charges for services	-	-	68,166	47,225	6,090
Fines and forfeitures	-	-	40,673	-	-
Interest and rentals	53,297	2,846	10,632	1,537	-
Other	409	11,691	78,204	48,172	-
Total revenue	2,208,110	620,713	363,260	96,934	747,281
<b>Expenditures</b>					
Culture and recreation	-	-	1,479,822	224,560	-
Community development	-	-	-	-	401,661
Public works:					
Sanitation	-	-	-	-	-
Highways and streets	1,599,103	1,465,109	-	-	-
Capital outlay	-	-	240,788	1,892	345,620
Debt service	-	-	-	-	-
Total expenditures	1,599,103	1,465,109	1,720,610	226,452	747,281
<b>Excess of Revenue Over (Under)</b>					
Expenditures	609,007	(844,396)	(1,357,350)	(129,518)	-
<b>Other Financing Sources (Uses)</b>					
Proceeds from issuance of long-term debt	-	-	-	-	-
Extinguishment of debt	-	-	-	-	-
Premiums on issuance of debt	-	-	-	-	-
Discounts on issuance of debt	-	-	-	-	-
Transfers in	-	639,637	1,612,740	134,490	-
Transfers out	(639,637)	-	(175,877)	-	-
Total other financing sources (uses)	(639,637)	639,637	1,436,863	134,490	-
<b>Change in Fund Balances</b>	(30,630)	(204,759)	79,513	4,972	-
<b>Fund Balances - Beginning of year</b>	1,800,019	347,533	89,550	29,538	-
<b>Fund Balances - End of year</b>	<u>\$ 1,769,389</u>	<u>\$ 142,774</u>	<u>\$ 169,063</u>	<u>\$ 34,510</u>	<u>\$ -</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2006**

Parks and Recreation Fund	Solid Waste Management Fund	Art Festival Fund	Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
				Capital Projects Fund	Capital Projects Fund Parks	
\$ -	\$ 1,260,098	\$ -	\$ -	\$ -	\$ -	\$ 1,260,098
9,950	-	-	-	-	-	751,141
89,106	-	-	-	4,200	-	2,754,643
-	-	-	316,668	-	-	581,496
2,032,407	202,654	16,583	-	-	-	2,373,125
-	-	-	-	-	-	40,673
257,200	41,985	54,422	283	5,308	2,175	429,685
45,994	-	52,844	-	738	-	238,052
2,434,657	1,504,737	123,849	316,951	10,246	2,175	8,428,913
3,384,728	-	138,197	-	-	-	5,227,307
-	-	-	-	-	-	401,661
-	1,400,986	-	-	-	-	1,400,986
-	-	-	-	-	-	3,064,212
57,957	38,000	-	-	264,847	2,850	951,954
-	-	-	2,958,861	-	-	2,958,861
3,442,685	1,438,986	138,197	2,958,861	264,847	2,850	14,004,981
(1,008,028)	65,751	(14,348)	(2,641,910)	(254,601)	(675)	(5,576,068)
-	-	-	6,450,000	-	-	6,450,000
-	-	-	(6,302,105)	-	-	(6,302,105)
-	-	-	53,998	-	-	53,998
-	-	-	(35,378)	-	-	(35,378)
1,208,750	-	-	2,475,677	188,265	-	6,259,559
-	-	-	-	-	-	(815,514)
1,208,750	-	-	2,642,192	188,265	-	5,610,560
200,722	65,751	(14,348)	282	(66,336)	(675)	34,492
199,274	833,921	15,054	4,607	251,599	69,208	3,640,303
<b>\$ 399,996</b>	<b>\$ 899,672</b>	<b>\$ 706</b>	<b>\$ 4,889</b>	<b>\$ 185,263</b>	<b>\$ 68,533</b>	<b>\$ 3,674,795</b>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Major Streets Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Intergovernmental revenue	\$ 2,195,065	\$ 2,195,065	\$ 2,154,404	\$ (40,661)
Interest income	13,080	13,080	53,297	40,217
Other	-	-	409	409
Other - Appropriated from fund balance	148,325	162,639	-	(162,639)
Total resources (inflows)	<u>\$ 2,356,470</u>	<u>\$ 2,370,784</u>	<u>\$ 2,208,110</u>	<u>\$ (162,674)</u>
<b>Charges to Appropriations (Outflows)</b>				
Highways and streets	\$ 1,706,470	\$ 1,635,714	\$ 1,599,103	\$ 36,611
Transfer out - Other fund	650,000	735,070	639,637	95,433
Total charges to appropriations (outflows)	<u>\$ 2,356,470</u>	<u>\$ 2,370,784</u>	<u>\$ 2,238,740</u>	<u>\$ 132,044</u>
<b>Fund Balance Reconciliation</b>				
Fund Balance - Beginning of year	\$ 1,237,827	\$ 1,179,434	\$ 1,800,019	\$ 620,585
Change in fund balance	(148,325)	(162,639)	(30,630)	132,009
Fund Balance - End of year	<u>\$ 1,089,502</u>	<u>\$ 1,016,795</u>	<u>\$ 1,769,389</u>	<u>\$ 752,594</u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Local Streets Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Intergovernmental revenue	\$ 622,890	\$ 622,890	\$ 606,176	\$ (16,714)
Interest income	4,050	4,050	2,846	(1,204)
Other	15,000	15,000	11,691	(3,309)
Other - Appropriated from fund balance	35,485	173,185	-	(173,185)
Transfers in - Other funds	650,000	650,000	639,637	(10,363)
Total resources (inflows)	<u>\$ 1,327,425</u>	<u>\$ 1,465,125</u>	<u>\$ 1,260,350</u>	<u>\$ (204,775)</u>
<b>Charges to Appropriations (Outflows) -</b>				
Highways and streets	<u>\$ 1,327,425</u>	<u>\$ 1,465,125</u>	<u>\$ 1,465,109</u>	<u>\$ 16</u>
<b>Fund Balance Reconciliation</b>				
<b>Fund Balance - Beginning of year</b>	\$ 338,849	\$ 259,865	\$ 347,533	\$ 87,668
Change in fund balance	<u>(35,485)</u>	<u>(173,185)</u>	<u>(204,759)</u>	<u>(31,574)</u>
<b>Fund Balance - End of year</b>	<u>\$ 303,364</u>	<u>\$ 86,680</u>	<u>\$ 142,774</u>	<u>\$ 56,094</u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Library Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Intergovernmental revenue	\$ 189,060	\$ 189,060	\$ 165,585	\$ (23,475)
Charges for services	59,315	59,315	68,166	8,851
Fines and fees	43,000	43,000	40,673	(2,327)
Interest income	1,600	1,600	10,632	9,032
Other revenues	60,710	60,710	78,204	17,494
Transfer in - Other funds	1,459,740	1,612,740	1,612,740	-
Total resources (inflows)	<u>\$ 1,813,425</u>	<u>\$ 1,966,425</u>	<u>\$ 1,976,000</u>	<u>\$ 9,575</u>
<b>Charges to Appropriations (Outflows)</b>				
Culture and recreation	\$ 1,630,125	\$ 1,783,125	\$ 1,720,610	\$ 62,515
Contribution to Debt Service Fund - Transfer out - Other funds	183,300	183,300	175,877	7,423
Total charges to appropriations (outflows)	<u>\$ 1,813,425</u>	<u>\$ 1,966,425</u>	<u>\$ 1,896,487</u>	<u>\$ 69,938</u>
<b>Fund Balance Reconciliation</b>				
Fund Balance - Beginning of year	\$ 61,337	\$ 61,337	\$ 89,550	\$ 28,213
Change in fund balance	-	-	79,513	79,513
Fund Balance - End of year	<u>\$ 61,337</u>	<u>\$ 61,337</u>	<u>\$ 169,063</u>	<u>\$ 107,726</u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Senior Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Charges for services	\$ 49,000	\$ 52,900	\$ 47,225	\$ (5,675)
Interest income	400	400	1,537	1,137
Other revenues	19,850	37,615	48,172	10,557
Other - Appropriated from fund balance	-	-	-	-
Transfers in - Other funds	135,540	135,540	134,490	(1,050)
Total resources (inflows)	<u>\$ 204,790</u>	<u>\$ 226,455</u>	<u>\$ 231,424</u>	<u>\$ 4,969</u>
<b>Charges to Appropriations (Outflows) -</b>				
Culture and recreation	<u>\$ 204,790</u>	<u>\$ 226,455</u>	<u>\$ 226,452</u>	<u>\$ 3</u>
<b>Fund Balance Reconciliation</b>				
Fund Balance - Beginning of year	\$ 34,573	\$ 26,663	\$ 29,538	\$ 2,875
Change in fund balance	<u>-</u>	<u>-</u>	<u>4,972</u>	<u>4,972</u>
Fund Balance - End of year	<u>\$ 34,573</u>	<u>\$ 26,663</u>	<u>\$ 34,510</u>	<u>\$ 7,847</u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Parks and Recreation Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Grants	\$ 115,150	\$ 115,150	\$ 99,056	\$ (16,094)
Charges for services	2,002,630	2,048,630	2,032,407	(16,223)
Interest and rent	245,845	245,845	257,200	11,355
Other revenues	45,520	45,520	45,994	474
Other - Appropriated from fund balance	-	2,426	-	(2,426)
Transfers in - Other funds	1,208,750	1,208,750	1,208,750	-
Total resources (inflows)	<u>\$ 3,617,895</u>	<u>\$ 3,666,321</u>	<u>\$ 3,643,407</u>	<u>\$ (22,914)</u>
<b>Charges to Appropriations (Outflows) -</b>				
Culture and recreation	<u>\$ 3,617,895</u>	<u>\$ 3,666,321</u>	<u>\$ 3,442,685</u>	<u>\$ 223,636</u>
<b>Fund Balance Reconciliation</b>				
Fund Balance - Beginning of year	\$ 103,957	\$ 46,932	\$ 199,274	\$ 152,342
Change in fund balance	-	(2,426)	200,722	203,148
Fund Balance - End of year	<u>\$ 103,957</u>	<u>\$ 44,506</u>	<u>\$ 399,996</u>	<u>\$ 355,490</u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Solid Waste Management Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Taxes	\$ 1,224,840	\$ 1,224,840	\$ 1,260,098	\$ 35,258
Charges for services	253,750	253,750	202,654	(51,096)
Interest income	8,500	8,500	41,985	33,485
Other - Appropriated from fund balance	59,480	63,730	-	(63,730)
Total resources (inflows)	<u>\$ 1,546,570</u>	<u>\$ 1,550,820</u>	<u>\$ 1,504,737</u>	<u>\$ (46,083)</u>
<b>Charges to Appropriations (Outflows) -</b>				
Public works - Sanitation	<u>\$ 1,546,570</u>	<u>\$ 1,550,820</u>	<u>\$ 1,438,986</u>	<u>\$ 111,834</u>
<b>Fund Balance Reconciliation</b>				
<b>Fund Balance - Beginning of year</b>	\$ 715,779	\$ 622,688	\$ 833,921	\$ 211,233
Change in fund balance	<u>(59,480)</u>	<u>(63,730)</u>	<u>65,751</u>	<u>129,481</u>
<b>Fund Balance - End of year</b>	<u>\$ 656,299</u>	<u>\$ 558,958</u>	<u>\$ 899,672</u>	<u>\$ 340,714</u>



# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Art Festival Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Charges for services	\$ 8,400	\$ 8,400	\$ 16,583	\$ 8,183
Interest and rent	54,100	54,100	54,422	322
Miscellaneous revenue	70,000	70,000	52,844	(17,156)
Other - Appropriated from fund balance	-	5,700	-	(5,700)
Total resources (inflows)	<u>\$ 132,500</u>	<u>\$ 138,200</u>	<u>\$ 123,849</u>	<u>\$ (14,351)</u>
<b>Charges to Appropriations (Outflows) -</b>				
Culture and recreation	<u>\$ 132,500</u>	<u>\$ 138,200</u>	<u>\$ 138,197</u>	<u>\$ 3</u>
<b>Fund Balance Reconciliation</b>				
<b>Fund Balance - Beginning of year</b>	\$ 20,549	\$ 20,549	\$ 15,054	\$ (5,495)
Change in fund balance	-	-	(14,348)	(14,348)
<b>Fund Balance - End of year</b>	<u>\$ 20,549</u>	<u>\$ 20,549</u>	<u>\$ 706</u>	<u>\$ (19,843)</u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Debt Service Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Intergovernmental revenue	\$ 327,500	\$ 327,500	\$ 316,668	\$ (10,832)
Interest revenue	-	-	283	283
Proceeds from issuance of long-term debt	-	-	6,450,000	6,450,000 *
Bond premiums	-	-	53,998	53,998 *
Transfer from other funds	2,493,115	2,493,115	2,475,677	(17,438)
Total resources (inflows)	<u>\$ 2,820,615</u>	<u>\$ 2,820,615</u>	<u>\$ 9,296,626</u>	<u>\$ 6,476,011</u>
<b>Charges to Appropriations (Outflows)</b>				
Extinguishment of debt	\$ -	\$ -	\$ 6,302,105	\$ (6,302,105) *
Bond discounts	-	-	35,378	(35,378) *
Debt service	2,820,615	2,820,615	2,958,861	(138,246) *
Total charges to appropriations (outflows)	<u>\$ 2,820,615</u>	<u>\$ 2,820,615</u>	<u>\$ 9,296,344</u>	<u>\$ (6,475,729)</u>
<b>Fund Balance Reconciliation</b>				
Fund Balance - Beginning of year	\$ 4,420	\$ 4,420	\$ 4,607	\$ 187
Change in fund balance	-	-	282	282
Fund Balance - End of year	<u>\$ 4,420</u>	<u>\$ 4,420</u>	<u>\$ 4,889</u>	<u>\$ 469</u>

\* The City advance refunded debt in the current year which was approved by City Council. Budget documents were not amended to reflect this activity. Since amounts were approved by City Council, these amounts are not considered budget variances.

## **City of East Lansing, Michigan**

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### **Internal Service Funds**

Internal Service Funds account for financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. The City's Internal Service Funds consist of the following:

*Insurance and Benefits Fund* - This fund is used to account for the charges to City departments associated with the City's self-insured workers' compensation and prescription benefits program and funding of retiree health care benefits.

*Garage Fund* - This fund is used to account for the operation and maintenance of the motor vehicle fleet and equipment used by the various City departments. Rentals for equipment used are paid to this fund by the various City departments.

*Computer Service Fund* - This fund is used to account for the operation and maintenance of computers and equipment used by the various City departments. Rentals for equipment used are paid to this fund by the various City departments.

# City of East Lansing, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2006

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 2,586,791	\$ 417,470	\$ 884,950	\$ 3,889,211
Receivables:				
Special assessments	-	338,947	-	338,947
Customers	-	23,564	-	23,564
Accrued interest	10,449	1,053	3,503	15,005
Other	21,863	-	-	21,863
Inventories	-	318,859	-	318,859
Total current assets	2,619,103	1,099,893	888,453	4,607,449
Noncurrent assets - Capital assets	-	13,448,338	120,687	13,569,025
Total assets	2,619,103	14,548,231	1,009,140	18,176,474
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	73,017	61,040	16,982	151,039
Accrued and other liabilities	-	220,514	8,761	229,275
Claims payable	264,644	-	-	264,644
Current portion of long-term debt:				
Compensated absences	-	266,816	21,367	288,183
Bonds payable	-	295,000	-	295,000
Total current liabilities	337,661	843,370	47,110	1,228,141
Noncurrent liabilities - Net of current portion:				
Compensated absences	-	219,187	17,553	236,740
Bonds payable	-	8,591,677	-	8,591,677
Total liabilities	337,661	9,654,234	64,663	10,056,558
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	-	4,561,661	120,687	4,682,348
Unrestricted	2,281,442	332,336	823,790	3,437,568
Total net assets	<u>\$ 2,281,442</u>	<u>\$ 4,893,997</u>	<u>\$ 944,477</u>	<u>\$ 8,119,916</u>

# City of East Lansing, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2006

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
<b>Operating Revenue</b>				
User service charges	\$ 4,987,327	\$ 158,838	\$ 769,490	\$ 5,915,655
Equipment and building rental	-	2,381,255	-	2,381,255
Special assessment	-	27,508	-	27,508
Miscellaneous revenue	-	2,594	-	2,594
Total operating revenue	4,987,327	2,570,195	769,490	8,327,012
<b>Operating Expenses</b>				
Operating expenses	5,398,202	1,475,188	714,729	7,588,119
Depreciation	-	946,667	105,101	1,051,768
Total operating expenses	5,398,202	2,421,855	819,830	8,639,887
<b>Operating Income (Loss)</b>	(410,875)	148,340	(50,340)	(312,875)
<b>Nonoperating Income (Expense)</b>				
Interest income	127,915	8,368	31,021	167,304
Interest expense	-	(405,134)	-	(405,134)
Federal and state grants	-	2,450	-	2,450
Total nonoperating income (expense)	127,915	(394,316)	31,021	(235,380)
<b>Net Loss</b>	(282,960)	(245,976)	(19,319)	(548,255)
<b>Net Assets - Beginning of year</b>	2,564,402	5,139,973	963,796	8,668,171
<b>Net Assets - End of year</b>	<u>\$ 2,281,442</u>	<u>\$ 4,893,997</u>	<u>\$ 944,477</u>	<u>\$ 8,119,916</u>

# City of East Lansing, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2006

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 4,987,185	\$ 2,635,686	\$ 769,490	\$ 8,392,361
Payments to suppliers	-	(1,603,547)	(385,441)	(1,988,988)
Claims paid	(5,985,737)	-	-	(5,985,737)
Payments to employees	-	(620,454)	(313,416)	(933,870)
Net cash provided by (used in ) operating activities	(998,552)	411,685	70,633	(516,234)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal and interest paid on long-term debt	-	(602,333)	-	(602,333)
Federal and state grants	-	2,450	-	2,450
Purchase of capital assets	-	(604,502)	(33,918)	(638,420)
Net cash used in capital and related financing activities	-	(1,204,385)	(33,918)	(1,238,303)
<b>Cash Flows from Investing Activities -</b>				
Interest received on investments	137,847	9,909	29,912	177,668
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(860,705)	(782,791)	66,627	(1,576,869)
<b>Cash and Cash Equivalents - July 1, 2005</b>	3,447,496	1,200,261	818,323	5,466,080
<b>Cash and Cash Equivalents - June 30, 2006</b>	<u>\$ 2,586,791</u>	<u>\$ 417,470</u>	<u>\$ 884,950</u>	<u>\$ 3,889,211</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ (410,875)	\$ 148,340	\$ (50,340)	\$ (312,875)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	-	946,667	105,101	1,051,768
Changes in assets and liabilities:				
Receivables	(142)	65,491	-	65,349
Inventories	-	(82,757)	-	(82,757)
Accounts payable	(587,312)	(735,407)	516	(1,322,203)
Claims payable	(223)	-	-	(223)
Accrued wages	-	(1,861)	6,595	4,734
Other liabilities	-	71,212	8,761	79,973
Net cash provided by (used in) operating activities	<u>\$ (998,552)</u>	<u>\$ 411,685</u>	<u>\$ 70,633</u>	<u>\$ (516,234)</u>

During 2006, there were no noncash investing, capital, or financing activities.

## **Agency Fund**

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# City of East Lansing, Michigan

## Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2006

	Beginning of Year	Additions	Reductions	End of Year
<b>Assets</b>				
Cash	\$ 979,364	\$ 36,180,220	\$ 36,257,269	\$ 902,315
Investments	297,377	2,893	299,399	869
Receivables - Net	<u>131,478</u>	<u>8,590,967</u>	<u>8,561,844</u>	<u>160,602</u>
Total assets	<u><b>\$ 1,408,219</b></u>	<u><b>\$ 44,774,080</b></u>	<u><b>\$ 45,118,512</b></u>	<u><b>\$ 1,063,786</b></u>
<b>Liabilities</b>				
Accounts payable	\$ 1,993	\$ 677,759	\$ 667,703	\$ 12,046
Due to other governmental units	233,831	36,064,459	36,009,968	288,325
Accrued and other liabilities	<u>1,172,395</u>	<u>1,334,923</u>	<u>1,743,903</u>	<u>763,416</u>
Total liabilities	<u><b>\$ 1,408,219</b></u>	<u><b>\$ 38,077,141</b></u>	<u><b>\$ 38,421,574</b></u>	<u><b>\$ 1,063,786</b></u>



## **Component Units**

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# City of East Lansing, Michigan

## Other Supplemental Information Component Units - Fund-based Statements Downtown Development Authority Year Ended June 30, 2006

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
<b>Balance Sheet/Statement of Net Assets</b>			
<b>Assets</b>			
Cash and investments	\$ 54,673	\$ -	\$ 54,673
Receivables	8,953	-	8,953
Due from other governmental units	13,277	-	13,277
Capital assets	-	636,936	636,936
Total assets	<u>\$ 76,903</u>	636,936	713,839
<b>Liabilities</b>			
Accounts payable	\$ 32,466	-	32,466
Deferred revenue	350	(350)	-
Long-term debt due in more than one year	-	700,000	700,000
Total liabilities	32,816	699,650	732,466
<b>Fund Balance</b>	44,087	(44,087)	-
Total liabilities and fund balance	<u>\$ 76,903</u>		
<b>Net Assets</b>			
Invested in capital assets - Net of related debt		(63,064)	(63,064)
Unrestricted		44,437	44,437
Total net assets		<u>\$ (18,627)</u>	<u>\$ (18,627)</u>
<b>Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities</b>			
	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
<b>Revenue</b>			
Property tax capture	\$ 859,048	\$ -	\$ 859,048
Operating grants and contributions	54,075	(54,075)	-
Charges for services	34,566	-	34,566
Interest income	3,559	-	3,559
Total revenue	951,248	(54,075)	897,173
<b>Expenditures</b>			
Community and economic development	907,164	-	907,164
Depreciation	-	13,849	13,849
Total expenditures	907,164	13,849	921,013
<b>Excess of Revenue Over (Under) Expenditures</b>	44,084	(67,924)	(23,840)
<b>Fund Balance/Net Assets</b>			
Beginning of year	3	5,210	5,213
End of year	<u>\$ 44,087</u>	<u>\$ (62,714)</u>	<u>\$ (18,627)</u>

# City of East Lansing, Michigan

## Other Supplemental Information Component Units - Fund-based Statements Downtown Management Board Year Ended June 30, 2006

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
<b>Balance Sheet/Statement of Net Assets</b>			
<b>Assets</b>			
Cash and investments	\$ 22,918	\$ -	\$ 22,918
Receivables	93,700	-	93,700
Total assets	<u>\$ 116,618</u>	-	116,618
<b>Liabilities</b>			
Accounts payable	\$ 1,355	-	1,355
Deferred revenue	93,700	(93,700)	-
Total liabilities	95,055	(93,700)	1,355
<b>Fund Balance</b>	<u>21,563</u>	<u>(21,563)</u>	-
Total liabilities and fund balance	<u>\$ 116,618</u>		
<b>Net Assets - Unrestricted</b>		<u>\$ 115,263</u>	<u>\$ 115,263</u>

## Statement of Revenue, Expenditures, and Changes in Fund Balance/ Statement of Activities

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
<b>Revenue</b>			
General assessment	\$ 47,888	\$ (47,888)	\$ -
Interest income	792	-	792
City contribution	20,000	-	20,000
Other revenue	2,500	-	2,500
Total revenue	71,180	(47,888)	23,292
<b>Expenditures - Community and economic development</b>	<u>52,100</u>	-	52,100
<b>Excess of Revenue Over (Under) Expenditures</b>	19,080	(47,888)	(28,808)
<b>Fund Balance/Net Assets</b>			
Beginning of year	2,483	141,588	144,071
End of year	<u>\$ 21,563</u>	<u>\$ 93,700</u>	<u>\$ 115,263</u>

# City of East Lansing, Michigan

## Other Supplemental Information Component Units - Fund-based Statements Brownfield Redevelopment Authority Year Ended June 30, 2006

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
<b>Balance Sheet/Statement of Net Assets</b>			
<b>Assets</b>			
Cash and investments	\$ 640	\$ -	\$ 640
Receivables	38,500	-	38,500
Total assets	<u>\$ 39,140</u>	-	39,140
<b>Liabilities</b>			
Accounts payable	\$ -	-	-
Deferred revenue	31,000	(31,000)	-
Total liabilities	31,000	(31,000)	-
<b>Fund Balance</b>	8,140	(8,140)	-
Total liabilities and fund balance	<u>\$ 39,140</u>		
<b>Net Assets - Unrestricted</b>		<u>\$ 39,140</u>	<u>\$ 39,140</u>

<b>Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities</b>			
	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
<b>Revenue</b>			
Property tax capture	\$ 38,592	\$ -	\$ 38,592
Interest income	286	-	286
City contribution	90,000	-	90,000
Charges for services	8,500	-	8,500
Total revenue	137,378	-	137,378
<b>Expenditures - Community and economic development</b>	129,592	-	129,592
<b>Excess of Revenue Over Expenditures</b>	7,786	-	7,786
<b>Fund Balance/Net Assets</b>			
Beginning of year	354	31,000	31,354
End of year	<u>\$ 8,140</u>	<u>\$ 31,000</u>	<u>\$ 39,140</u>

## Statistical Section

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This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

## **Financial Trends**

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

# City of East Lansing, Michigan

## Financial Trend Information Net Assets by Component

	June 30			
	2003	2004	2005	2006
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt	\$ 33,185,922	\$ 33,261,393	\$ 36,792,399	\$ 37,990,389
Restricted	2,532,583	2,766,897	3,321,941	3,353,582
Unrestricted	12,314,511	11,572,860	8,847,966	8,324,620
Total net assets	<u>\$ 48,033,016</u>	<u>\$ 47,601,150</u>	<u>\$ 48,962,306</u>	<u>\$ 49,668,591</u>
<b>Business-type Activities</b>				
Invested in capital assets, net of related debt	\$ 25,116,528	\$ 25,228,170	\$ 25,303,824	\$ 27,566,896
Restricted	-	-	-	-
Unrestricted	3,830,474	3,996,148	3,947,305	3,971,539
Total net assets	<u>\$ 28,947,002</u>	<u>\$ 29,224,318</u>	<u>\$ 29,251,129</u>	<u>\$ 31,538,435</u>
<b>Primary Government in Total</b>				
Invested in capital assets, net of related debt	\$ 58,302,450	\$ 58,489,563	\$ 62,096,223	\$ 65,557,285
Restricted	2,532,583	2,766,897	3,321,941	3,353,582
Unrestricted	16,144,985	15,569,008	12,795,271	12,296,159
Total net assets	<u>\$ 76,980,018</u>	<u>\$ 76,825,468</u>	<u>\$ 78,213,435</u>	<u>\$ 81,207,026</u>

See independent auditor's disclaimer on the statistical section information.

# City of East Lansing, Michigan

## Financial Trend Information Changes in Governmental Net Assets

	Fiscal Year Ended June 30			
	2003	2004	2005	2006
<b>Expenses</b>				
General government	\$ 7,879,986	\$ 7,537,175	\$ 5,736,504	\$ 7,703,683
Public safety	15,093,059	15,222,360	16,108,792	16,599,383
Public works	6,601,695	6,848,258	6,182,784	6,430,119
Health and welfare	225,145	164,365	186,990	83,966
Community and economic development	836,780	963,337	679,381	941,254
Culture and recreation	7,599,572	7,104,655	7,040,415	7,533,706
Interest on long-term debt	1,250,034	1,128,930	1,150,612	933,333
Total governmental activities expenses	39,486,271	38,969,080	37,085,478	40,225,444
<b>Program revenues</b>				
Charges for services:				
General government	4,719,785	5,145,389	5,221,512	5,425,127
Public safety	3,816,463	4,211,383	4,364,116	2,906,264
Public works	1,079,861	853,171	535,227	315,632
Community and economic development	-	73,064	11,453	-
Culture and recreation	2,748,654	2,286,080	2,491,114	2,727,366
Total charges for services	12,364,763	12,569,087	12,623,422	11,374,389
Operating grants and contributions	3,599,603	4,027,903	3,964,146	5,874,043
Capital grants and contributions	13,200	-	4,000	460,055
Total program revenue	15,977,566	16,596,990	16,591,568	17,708,487
<b>Net (expense) revenue</b>	(23,508,705)	(22,372,090)	(20,493,910)	(22,516,957)
<b>General revenues:</b>				
Property taxes	13,619,149	14,856,993	15,592,401	16,414,048
Unrestricted state-shared revenues	6,226,654	6,134,877	5,895,886	5,783,245
Unrestricted investment earnings	281,156	144,219	259,165	417,271
Unrestricted franchise fees	340,924	318,825	372,660	431,921
Miscellaneous	154,630	485,311	163,594	176,757
Total general revenues	20,622,513	21,940,225	22,283,706	23,223,242
Transfers	-	-	(428,640)	-
<b>Change in net assets</b>	<b>\$ (2,886,192)</b>	<b>\$ (431,865)</b>	<b>\$ 1,361,156</b>	<b>\$ 706,285</b>

See independent auditor's disclaimer on the statistical section information.



# City of East Lansing, Michigan

## Financial Trend Information Changes in Business-type Net Assets

	Fiscal Year Ended June 30			
	2003	2004	2005	2006
<b>Operating Revenue</b>				
Parking revenue	\$ 2,843,433	\$ 3,070,438	\$ 3,304,790	\$ 3,609,781
Water user service charges	2,613,493	2,644,141	2,628,443	2,693,126
Sewage user service charges	6,293,905	6,542,972	6,760,789	7,094,603
Equipment and building rental	96,363	62,951	49,067	47,991
Total operating revenue	11,847,194	12,320,502	12,743,089	13,445,501
<b>Operating Expenses</b>				
Cost of water produced/purchased	1,777,626	2,168,387	1,638,161	1,935,907
Cost of sewage treatment	4,302,563	4,286,004	4,825,762	4,489,691
Other operation and maintenance costs	370,207	417,282	514,149	502,772
General and administrative costs	1,927,282	2,107,457	2,244,069	2,183,862
Depreciation	2,289,648	2,308,547	2,419,126	2,459,031
Total operating expenses	10,667,326	11,287,677	11,641,267	11,571,263
<b>Operating Income</b>	1,179,868	1,032,825	1,101,822	1,874,238
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	13,593	1,832	325	30,481
Loss from joint venture	(15,932)	(219,429)	(510,797)	(236,255)
Interest expense	(1,616,896)	(1,543,126)	(1,420,379)	(1,398,148)
Contribution from DDA	508,746	518,928	427,200	431,310
Total nonoperating revenue (expenses)	(1,110,489)	(1,241,795)	(1,503,651)	(1,172,612)
<b>Income (Loss) - Before contributions and transfers</b>	69,379	(208,970)	(401,829)	701,626
<b>Capital Contributions</b>	2,178,861	486,286	-	1,585,680
<b>Transfers from Other Funds</b>	-	-	428,640	-
<b>Change in Net Assets</b>	<b>\$ 2,248,240</b>	<b>\$ 277,316</b>	<b>\$ 26,811</b>	<b>\$ 2,287,306</b>

See independent auditor's disclaimer on the statistical section information.

## City of East Lansing, Michigan

	As of June 30				
	1997	1998	1999	2000	2001
General Fund:					
Reserved	\$ 4,931	\$ 83,517	\$ 140,629	\$ 482,501	\$ 337,919
Unreserved:					
Designated	1,057,795	393,759	368,268	326,075	357,131
Undesignated	<u>2,963,899</u>	<u>3,452,439</u>	<u>3,344,958</u>	<u>3,141,467</u>	<u>2,247,206</u>
Total general fund	<u><b>\$ 4,026,625</b></u>	<u><b>\$ 3,929,715</b></u>	<u><b>\$ 3,853,855</b></u>	<u><b>\$ 3,950,043</b></u>	<u><b>\$ 2,942,256</b></u>
All other governmental funds:					
Reserved	\$ 12,395	\$ 931,275	\$ 2,004,530	\$ 1,632,245	\$ 6,042,307
Unreserved and designated, reported in:					
Special revenue funds	801,965	802,068	849,091	592,227	974,085
Capital project funds	<u>4,543,958</u>	<u>2,595,611</u>	<u>8,888,619</u>	<u>8,436,444</u>	<u>377,198</u>
Unreserved and undesignated, reported in:					
Special revenue funds	355,425	512,092	791,065	1,924,979	883,175
Debt service funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,715</u>	<u>8,702</u>
Total all other governmental funds	<u><b>\$ 5,713,743</b></u>	<u><b>\$ 4,841,046</b></u>	<u><b>\$12,533,305</b></u>	<u><b>\$12,588,610</b></u>	<u><b>\$ 8,285,467</b></u>

See independent auditor's disclaimer on the statistical section information.

**Financial Trend Information**  
**Fund Balances, Governmental Funds**

As of June 30				
2002	2003	2004	2005	2006
\$ 205,794	\$ 80,411	\$ 94,810	\$ 126,872	\$ 1,163,953
306,498	489,636	949,531	504,064	719,374
<u>2,460,297</u>	<u>2,302,040</u>	<u>2,441,169</u>	<u>2,476,393</u>	<u>2,894,217</u>
<b><u>\$ 2,972,589</u></b>	<b><u>\$ 2,872,087</u></b>	<b><u>\$ 3,485,510</u></b>	<b><u>\$ 3,107,329</u></b>	<b><u>\$ 4,777,544</u></b>
\$ 3,544,071	\$ 1,095,055	\$ 165,717	\$ 72,472	\$ 1,101,882
487,194	814,175	632,736	904,167	728,155
672,777	169,517	308,883	285,807	217,948
1,025,373	1,046,355	1,855,246	2,373,250	1,621,921
<u>4,300</u>	<u>4,336</u>	<u>4,420</u>	<u>4,607</u>	<u>4,889</u>
<b><u>\$ 5,733,715</u></b>	<b><u>\$ 3,129,438</u></b>	<b><u>\$ 2,967,002</u></b>	<b><u>\$ 3,640,303</u></b>	<b><u>\$ 3,674,795</u></b>

# City of East Lansing, Michigan

## Financial Trend Information Changes in Fund Balances, Governmental Funds

	2002	2003	2004	2005	2006
<b>Revenues</b>					
Property taxes	\$ 13,190,419	\$ 14,377,476	\$ 15,590,573	\$ 16,359,310	\$ 18,018,039
Licenses and permits	1,049,859	1,223,177	1,479,698	1,448,979	1,627,623
Federal sources	1,466,809	955,935	1,058,683	868,134	865,341
State sources	11,104,122	10,172,553	9,750,241	9,452,226	9,419,196
Intergovernmental revenue	-	556,915	540,402	627,741	600,971
Charges for services	3,741,331	6,420,967	5,983,431	6,323,623	6,494,206
Fines and forfeitures	3,003,439	2,832,721	3,208,851	3,241,979	3,339,178
Interest and rentals	564,147	334,624	404,557	531,267	708,359
Other	1,406,261	923,130	1,517,781	1,052,842	1,183,505
<b>Total revenue</b>	<b>35,526,387</b>	<b>37,797,498</b>	<b>39,534,217</b>	<b>39,906,101</b>	<b>42,256,418</b>
<b>Expenditures</b>					
Current:					
General government	6,995,713	7,205,977	7,671,669	7,841,240	7,978,518
Public safety	13,942,073	14,492,437	14,840,403	15,849,325	16,309,024
Public works sanitation	2,601,796	2,129,523	2,010,726	2,151,581	2,221,569
Highways and streets	3,513,858	3,015,107	3,213,219	2,711,648	3,044,212
Health and welfare	273,950	225,145	164,365	186,990	103,966
Community and economic development	1,759,197	1,121,532	953,709	645,706	401,661
Culture and recreation	4,802,959	6,269,712	6,547,567	6,828,618	6,748,461
Capital outlay	8,093,155	3,368,228	891,663	106,434	951,954
Debt service principal	986,040	1,325,000	1,615,000	1,752,036	1,888,159
Debt service interest and fees	1,064,972	1,250,034	1,174,909	1,108,763	1,070,702
<b>Total expenditures</b>	<b>44,033,713</b>	<b>40,402,695</b>	<b>39,083,230</b>	<b>39,182,341</b>	<b>40,718,226</b>
<b>Excess of Revenue Over (Under)</b>					
<b>Expenditures</b>	<b>(8,507,326)</b>	<b>(2,605,197)</b>	<b>450,987</b>	<b>723,760</b>	<b>1,538,192</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from issuance of long-term debt	5,190,000	-	-	-	6,450,000
Debt premium or discount	-	-	-	-	18,620
Transfers in	6,125,999	5,812,065	6,908,950	5,922,575	6,259,559
Transfers out	(5,551,894)	(5,812,065)	(6,908,950)	(6,351,215)	(6,259,559)
Extinguishment of debt	-	-	-	-	(6,302,105)
<b>Total other financing sources (uses)</b>	<b>5,764,105</b>	<b>-</b>	<b>-</b>	<b>(428,640)</b>	<b>166,515</b>
Other items	221,802	(99,582)	-	-	-
<b>Net change in fund balances</b>	<b><u>\$(2,521,419)</u></b>	<b><u>\$(2,704,779)</u></b>	<b><u>\$ 450,987</u></b>	<b><u>\$ 295,120</u></b>	<b><u>\$1,704,707</u></b>

See independent auditor's disclaimer on the statistical section information.

## City of East Lansing, Michigan

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### Financial Trend Information Changes in Fund Balances, Governmental Funds (Continued)

	2002	2003	2004	2005	2006
Debt service as a percentage of noncapital expenditures	5.71%	6.95%	7.31%	7.32%	7.44%
Capital outlay as a percentage of total expenditures	18.38%	8.34%	2.28%	0.27%	2.34%

## **Revenue Capacity**

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These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

## City of East Lansing, Michigan

Tax Year	Fiscal Year	Taxable Value by Property Type				
	Ended	Real Property				Total Value
	June 30	Residential	Commercial	Industrial	Developmental	
1996	1997	\$ 337,792,530	\$ 197,471,540	\$ 62,900	\$ -	\$ 535,326,970
1997	1998	348,573,960	202,773,790	62,900	-	551,410,650
1998	1999	361,210,530	215,450,750	62,900	-	576,724,180
1999	2000	373,278,240	225,280,060	601,800	-	599,160,100
2000	2001	386,782,270	238,733,390	629,200	1,168,440	627,313,300
2001	2002	406,019,390	254,322,060	629,200	1,620,570	662,591,220
2002	2003	427,716,810	267,768,200	561,200	1,849,230	697,895,440
2003	2004	450,899,440	293,400,710	585,600	4,010,260	748,896,010
2004	2005	478,440,180	306,834,960	810,600	4,683,740	790,769,480
2005	2006	509,818,360	319,991,330	827,850	4,716,830	835,354,370

Note: Under Michigan law, the revenue base is referred to as "taxable value." This amount represents assessed value (50 percent of true cash value), limited for each property by the lower of 5 percent or inflation.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

Source: City of East Lansing Assessor

See independent auditor's disclaimer on the statistical information.

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**Revenue Capacity**

**Taxable Value and Actual Value of Taxable Property**

Tax Rate	Estimated Actual	Taxable
(Mills)	Value	Value as a % of Actual
18.09	\$ 1,115,983,660	47.97
18.09	1,137,424,700	48.48
18.09	1,194,918,300	48.26
19.16	1,289,759,300	46.46
19.28	1,365,893,600	45.93
19.28	1,458,615,200	45.43
19.28	1,558,752,600	44.77
19.28	1,709,064,000	43.82
19.28	1,830,639,400	43.20
19.28	1,966,514,000	42.48



## City of East Lansing, Michigan

Tax Year	Millage Rates - Direct City Taxes				Overlapping Taxes				
	General		Solid Waste	Total Direct Taxes	Lansing		Ingham	Capital Area	State
	Operating	Debt			Ingham County	Community College	Intermediate School District	Transportation Authority	
1996	15.00	1.52	1.57	18.09	7.78	2.94	6.20	0.98	6.00
1997	15.00	1.50	1.59	18.09	7.81	2.94	6.20	1.38	6.00
1998	15.07	1.43	1.59	18.09	7.79	2.94	6.19	1.38	6.00
1999	15.07	2.50	1.59	19.16	7.78	2.92	6.16	1.37	6.00
2000	15.07	2.62	1.59	19.28	7.77	2.91	6.14	1.37	6.00
2001	15.27	2.42	1.59	19.28	7.77	3.89	6.10	1.39	6.00
2002	15.36	2.33	1.59	19.28	8.21	3.87	6.07	2.20	6.00
2003	15.52	2.17	1.59	19.28	8.60	3.85	6.06	2.19	5.00
2004	15.65	2.04	1.59	19.28	8.57	3.84	6.03	2.18	6.00
2005	15.72	1.97	1.59	19.28	8.65	3.81	5.99	2.17	6.00

Note: The City has multiple overlapping tax districts due to 425 agreements, additional school districts, and TIF plans. The tax rates shown above relate to the City's tax for the East Lansing School District. Information relating to other overlapping tax districts can be obtained from the finance department at City Hall.

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

	General	Debt	Solid
	Operating		Waste
2005	17.6474	no limit	2.6469

Source: City of East Lansing Treasurer

See independent auditor's disclaimer on the statistical section information.

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**Revenue Capacity**  
**Direct and Overlapping Property Tax Rates**

<u>Overlapping Taxes</u>		<u>Total Tax Rate</u>	
East Lansing Schools Homestead	East Lansing Schools Non- homestead	Homestead	Non- homestead
5.89	23.19	47.88	65.18
6.68	23.19	49.10	65.61
6.36	23.19	48.75	65.58
6.51	23.19	49.90	66.58
9.43	26.29	52.90	69.76
9.42	26.28	53.85	70.71
9.35	26.28	54.98	71.91
9.23	26.27	54.21	71.25
9.25	26.30	55.15	72.20
9.15	26.29	55.05	72.19

# City of East Lansing, Michigan

## Revenue Capacity Principal Property Taxpayers

Taxpayer	2005 Taxable Value	Percentage of Total	1996 Taxable Value	Percentage of Total	1996 Rank
1 DTN Management	\$ 32,461,750	3.89	\$ -	-	-
2 MEA Special Services	15,930,570	1.91	9,376,360	1.75	1
3 Community Resources Management	14,103,510	1.69	-	-	-
4 Sam Eyde Development Co.	11,806,150	1.41	5,422,760	1.01	4
5 D.L. Kesler & Associated Properties	7,168,750	0.86	-	-	-
6 Dunn Development Group	7,162,540	0.86	6,098,620	1.14	2
7 Capstone University Commons	6,856,980	0.82	-	-	-
8 American Physicians Insurance	6,775,760	0.81	-	-	-
9 Meijer, Inc.	6,600,960	0.79	5,616,300	1.05	3
10 South Bend Nursing Home Association	5,440,900	0.65	-	-	-
- Burcham Hill Retirement	-	-	4,984,500	0.93	5
- Michigan Physician Mutual Liability	-	-	4,464,900	0.83	6
- Cedar Village Apartments	-	-	3,931,700	0.73	7
- Consumers Power Company	-	-	3,640,500	0.68	8
- Wilmar Tahoe "The Marriott"	-	-	3,415,800	0.64	9
- First Winthrop Management	-	-	3,291,700	0.61	10
Total	<u>\$114,307,870</u>	<u>13.69</u>	<u>\$ 50,243,140</u>	<u>9.37</u>	

See independent auditor's disclaimer on the statistical section information.

## City of East Lansing, Michigan

### Revenue Capacity Property Tax Levies and Collections

Tax Year	Fiscal Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
1996	1997	\$ 9,556,482	\$ 9,541,129	99.84	\$ -	\$ 9,541,129	99.84
1997	1998	9,868,390	9,851,640	99.83	12,272	9,863,912	99.95
1998	1999	10,320,082	10,307,224	99.88	9,844	10,317,068	99.97
1999	2000	11,305,639	11,291,598	99.88	10,822	11,302,420	99.97
2000	2001	11,895,973	11,845,685	99.58	47,872	11,893,557	99.98
2001	2002	12,525,643	12,460,341	99.48	64,230	12,524,571	99.99
2002	2003	13,070,316	13,025,905	99.66	42,632	13,068,537	99.99
2003	2004	13,940,160	13,834,601	99.24	103,668	13,938,269	99.99
2004	2005	14,735,579	14,628,362	99.27	98,479	14,726,841	99.94
2005	2006	15,736,656	15,673,206	99.60	41,479	15,714,685	99.86

Source: City of East Lansing Treasurer

See independent auditor's disclaimer on the statistical section information.

## **Debt Capacity**

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These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

## City of East Lansing, Michigan

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	1997	1998	1999	2000
<b>Governmental Activities</b>				
General obligation bonds	\$ 8,005,000	\$ 7,620,000	\$ 16,210,000	\$ 17,140,000
Installment purchase agreements	680,867	497,994	315,120	175,580
Special assessment bonds	298,310	298,310	1,523,733	1,383,576
Contractual agreements	-	-	-	-
Capital leases	-	-	-	-
Total	8,984,177	8,416,304	18,048,853	18,699,156
<b>Business Type Activities -</b>				
General obligation bonds	32,316,703	32,114,367	30,875,762	30,249,663
Total debt of the government	<u>\$ 41,300,880</u>	<u>\$ 40,530,671</u>	<u>\$ 48,924,615</u>	<u>\$ 48,948,819</u>
<b>Total Taxable Value</b>	\$ 535,326,970	\$ 551,410,650	\$ 576,724,180	\$ 599,160,100
Debt as a percentage of taxable value	7.72	7.35	8.48	8.17
<b>Total Population</b>	46,565	47,040	47,679	48,015
Total debt per capita	\$ 887	\$ 862	\$ 1,026	\$ 1,019

See independent auditor's disclaimer on the statistical section information.

**Debt Capacity  
Ratios of Outstanding Debt**

2001	2002	2003	2004	2005	2006
\$ 19,960,000	\$ 19,160,000	\$ 25,085,496	\$ 24,190,496	\$ 25,498,876	\$ 24,379,041
36,040	-	-	-	-	-
1,182,682	6,176,788	5,655,894	4,890,000	4,180,000	3,480,000
-	-	-	-	-	555,000
-	-	-	-	-	89,806
21,178,722	25,336,788	30,741,390	29,080,496	29,678,876	28,503,847
44,820,849	44,915,064	42,807,794	42,023,306	44,107,600	44,448,051
<b><u>\$ 65,999,571</u></b>	<b><u>\$ 70,251,852</u></b>	<b><u>\$ 73,549,184</u></b>	<b><u>\$ 71,103,802</u></b>	<b><u>\$ 73,786,476</u></b>	<b><u>\$ 72,951,898</u></b>
\$ 627,313,300	\$ 662,591,220	\$ 697,895,440	\$ 748,896,010	\$ 790,769,480	\$ 835,354,370
10.52	10.60	10.54	9.49	9.33	8.73
46,704	46,677	46,999	46,535	46,417	46,419
\$ 1,413	\$ 1,505	\$ 1,565	\$ 1,528	\$ 1,590	\$ 1,572

## City of East Lansing, Michigan

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Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Obligation Debt	Taxable Value
1997	\$ -	\$ 8,005,000	\$ (7,520,000)	\$ 680,867	\$ 1,165,867	\$ 535,326,970
1998	-	7,620,000	(7,310,000)	497,994	807,994	551,410,650
1999	-	16,210,000	(16,085,000)	315,120	440,120	576,724,180
2000	-	17,140,000	(15,640,000)	175,580	1,675,580	599,160,100
2001	3,545,000	16,415,000	(14,920,000)	36,040	5,076,040	627,313,300
2002	3,545,000	15,615,000	(14,170,000)	-	4,990,000	662,591,220
2003	10,400,000	14,770,000	(13,380,000)	-	11,790,000	697,895,440
2004	10,390,000	13,885,000	(12,550,000)	-	11,725,000	748,896,010
2005	12,625,000	12,955,000	(11,680,000)	-	13,900,000	790,769,480
2006	12,835,000	12,065,000	(10,855,000)	644,806	14,689,806	835,354,370

See independent auditor's disclaimer on the statistical section information.



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**Debt Capacity**  
**Ratios of General Bonded Debt Outstanding**

Debt as a Percentage of Actual Taxable Value	Population	Net General Obligation Debt per Capita
0.22	46,565	\$ 25
0.15	47,040	17
0.08	47,679	9
0.28	48,015	35
0.81	46,704	109
0.75	46,677	107
1.69	46,999	251
1.57	46,535	252
1.76	46,417	299
1.76	46,419	316

## City of East Lansing, Michigan

### Debt Capacity Direct and Overlapping Governmental Activities Debt

Governmental Unit	Debt Outstanding	Estimated % Applicable	Estimated Share of Overlapping Debt
Ingham County	\$ 32,242,786	10.96	\$ 3,533,809
Clinton County	14,988,919	2.23	334,253
East Lansing School District	83,632,243	76.99	64,388,464
Lansing School District	72,390,000	2.36	1,708,404
Bath School District	24,690,351	9.48	2,340,645
Haslett School District	67,831,958	0.03	20,350
Lansing Community College	56,405,000	8.27	4,664,694
Total overlapping debt			76,990,619
Direct City debt	72,951,898	100.00	72,951,898
Total direct and overlapping debt			<u><u>\$ 149,942,517</u></u>

See independent auditor's disclaimer on the statistical section information.

## City of East Lansing, Michigan

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	1997	1998	1999	2000
<b>Calculation of debt limit:</b>				
State equalized valuation	<u>\$554,942,030</u>	<u>\$568,712,350</u>	<u>\$597,459,150</u>	<u>\$644,879,650</u>
10% of taxable value	\$ 55,494,203	\$ 56,871,235	\$ 59,745,915	\$ 64,487,965
<b>Calculation of debt subject to limit:</b>				
Total debt	41,300,880	40,530,671	48,924,615	48,948,819
Less: debt not subject to limit:				
Special assessment bonds	(298,310)	(298,310)	(1,523,733)	(1,383,576)
Pollution abatement bonds	(18,615,000)	(17,865,000)	(17,095,000)	(16,323,200)
Deferred charges on refunding	<u>268,297</u>	<u>265,633</u>	<u>244,238</u>	<u>328,537</u>
Net debt subject to limit	<u>22,655,867</u>	<u>22,632,994</u>	<u>30,550,120</u>	<u>31,570,580</u>
Legal debt margin	<u>\$ 32,838,336</u>	<u>\$ 34,238,241</u>	<u>\$ 29,195,795</u>	<u>\$ 32,917,385</u>
Net debt subject to limit as a percentage of debt limit	40.83	39.80	51.13	48.96

See independent auditor's disclaimer on the statistical information.

**Debt Capacity  
Legal Debt Margin**

2001	2002	2003	2004	2005	2006
<b><u>\$682,946,800</u></b>	<b><u>\$729,307,600</u></b>	<b><u>\$779,376,300</u></b>	<b><u>\$854,532,000</u></b>	<b><u>\$915,319,700</u></b>	<b><u>\$983,257,000</u></b>
\$ 68,294,680	\$ 72,930,760	\$ 77,937,630	\$ 85,453,200	\$ 91,531,970	\$ 98,325,700
65,999,571	70,251,852	73,549,184	71,103,802	73,786,476	72,951,898
(1,182,682)	(6,176,788)	(5,655,894)	(4,890,000)	(4,180,000)	(3,480,000)
(19,075,000)	(20,135,000)	(19,015,000)	(19,262,690)	(22,423,912)	(23,956,867)
<u>344,151</u>	<u>344,936</u>	<u>406,710</u>	<u>383,888</u>	<u>357,436</u>	<u>1,324,775</u>
<u>46,086,040</u>	<u>44,285,000</u>	<u>49,285,000</u>	<u>47,335,000</u>	<u>47,540,000</u>	<u>46,839,806</u>
<b><u>\$ 22,208,640</u></b>	<b><u>\$ 28,645,760</u></b>	<b><u>\$ 28,652,630</u></b>	<b><u>\$ 38,118,200</u></b>	<b><u>\$ 43,991,970</u></b>	<b><u>\$ 51,485,894</u></b>
67.48	60.72	63.24	55.39	51.94	47.64

## City of East Lansing, Michigan

### Debt Capacity Pledged-revenue Coverage

Fiscal Year	Special Assessment Bonds			
	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
1997	\$ -	\$ -	\$ -	-
1998	-	-	-	-
1999	-	-	-	-
2000	298,936	100,000	95,416	1.53
2001	256,954	155,000	53,579	1.23
2002	204,301	150,000	45,498	1.05
2003	796,744	475,000	238,264	1.12
2004	1,125,679	720,000	209,523	1.21
2005	1,084,357	710,000	188,373	1.21
2006	1,312,137	700,000	164,623	1.52

Source: City of East Lansing Treasurer

See independent auditor's disclaimer on the statistical information.

## **Demographic and Economic Information**

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

## City of East Lansing, Michigan

### Demographic and Economic Information Demographic and Economic Statistics

Calendar Year	Population	Personal Income (in Thousands)	Per Capita Personal Income	City's Unemploy- ment Rate	State's Unemploy- ment Rate
1996	46,565	\$ 924,000	\$ 19,843	4.3	4.9
1997	47,040	967,000	20,557	3.6	4.2
1998	47,679	1,011,000	21,204	3.7	3.9
1999	48,015	1,072,000	22,326	3.0	3.7
2000	46,704	1,104,000	23,638	2.8	3.6
2001	46,677	1,133,000	24,273	4.1	5.3
2002	46,999	1,156,000	24,596	4.8	6.2
2003	46,535	1,209,000	25,980	6.0	7.3
2004	46,417	1,217,000	26,219	7.2	7.1
2005	46,419	1,248,000	26,886	7.0	6.7

Sources: Regional Economic Information System, Bureau of Economic Analysis,  
U.S. Department of Commerce, and U.S. Census Bureau  
City of East Lansing Department of Planning and Community Development

See independent auditor's disclaimer on the statistical information.

# City of East Lansing, Michigan

## Demographic and Economic Information Principal Employers

Taxpayer	Calendar Year	Percentage of Total	Calendar Year	Percentage of Total	Calendar
	2005 Employees		1996 Employees		Year 1996 Rank
1 Michigan State University	10,500	53.95	12,300	43.86	1
2 Meijer, Inc.	2,000	10.28	650	2.32	2
3 City of East Lansing	634	3.26	438	1.56	6
4 Burcham Hills Community	415	2.13	300	1.07	9
5 Kellogg Hotel & Conference Center	400	2.06	-	-	-
6 East Lansing School District	363	1.87	600	2.14	3
7 Michigan Education Association	320	1.64	526	1.88	4
8 MSU Federal Credit Union	297	1.53	-	-	-
- Michigan State Police	-	-	500	1.78	5
- UPS	-	-	375	1.34	7
- U.S. Postal Service	-	-	300	1.07	8
- Jacobson's	-	-	180	0.64	10

Source: Regional Economic Information System, Bureau of Economic Analysis, and U.S. Department of Commerce

See independent auditor's disclaimer on the statistical information.



## **Operating Information**

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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

## City of East Lansing, Michigan

Function/Program	1997	1998	1999	2000	2001	2002
General government:						
City manager and policy analysis	not available	5.75	5.75	6.25	6.25	6.25
54-B District Court	not available	32.25	31.50	30.75	30.00	30.00
Engineering and public works administration	not available	8.50	10.50	11.75	14.75	14.25
Planning	not available	10.00	10.75	11.75	11.25	10.50
Financial services and finance	not available	17.25	14.50	14.75	15.75	16.25
Human resources	not available	5.25	5.00	5.25	4.75	4.25
Clerk and elections	not available	3.25	3.25	3.25	3.00	3.00
Communications	not available	11.50	11.75	14.50	10.50	6.50
Public buildings	not available	7.75	7.25	8.50	8.50	9.50
Information systems	not available	2.00	3.00	3.00	4.00	4.00
Public safety:						
Police operations	not available	107.50	100.75	102.50	104.00	120.00
Fire operations	not available	58.50	53.00	53.00	54.00	54.00
Parking enforcement	not available	9.00	8.50	9.25	9.50	10.25
Building and housing	not available	10.25	11.50	11.50	12.50	12.75
Public works:						
Highways and streets	not available	22.00	21.00	22.00	22.00	22.00
Water	not available	10.00	9.00	9.00	10.00	10.00
Sewer	not available	38.25	34.75	33.75	33.25	33.50
Parking	not available	22.75	22.50	22.00	23.50	26.75
Garage	not available	10.75	9.00	9.00	8.00	8.00
Culture and recreation:						
Parks and recreation	not available	13.25	14.50	17.25	22.00	34.50
Library	not available	21.75	21.25	22.50	23.75	23.75
Total		<u>427.50</u>	<u>409.00</u>	<u>421.50</u>	<u>431.25</u>	<u>460.00</u>

Source: City of East Lansing Finance Department

See independent auditor's disclaimer on the statistical information.

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**Operating Information**  
**Full-time Equivalent Government Employees**

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
5.50	6.50	6.25	6.25
30.50	30.50	31.50	31.50
13.50	15.00	13.00	13.00
10.50	10.50	11.00	12.25
15.50	16.00	17.25	16.25
3.50	3.50	3.50	4.00
4.00	3.50	3.75	3.75
4.50	3.50	3.50	3.50
12.00	11.00	13.00	13.00
4.00	4.00	4.00	4.00
101.50	100.50	102.25	99.25
54.00	54.00	53.00	53.00
11.00	8.50	10.50	10.50
12.00	13.00	14.00	13.75
23.00	22.00	20.00	22.00
6.00	10.00	7.00	8.00
23.00	33.00	28.50	28.50
33.00	33.00	27.00	28.25
8.00	8.00	8.00	8.00
48.75	107.50	93.00	89.75
<u>18.50</u>	<u>18.50</u>	<u>22.00</u>	<u>22.75</u>
<u><b>442.25</b></u>	<u><b>512.00</b></u>	<u><b>492.00</b></u>	<u><b>491.25</b></u>

# City of East Lansing, Michigan

Function/Program	1997	1998	1999	2000	2001
Election data:					
Registered voters	36,348	33,112	31,001	29,463	26,897
Voters (at the polls or absentee)	4,259	12,842	3,600	16,427	4,034
Percent voting	11.7	38.8	11.6	55.8	15.0
District Court:					
Number of court cases (1)	19,202	19,973	18,555	18,941	19,193
Number of parking tickets (1)	74,527	71,420	75,317	74,294	75,795
Police:					
Physical arrests (1)	3,419	3,707	3,833	3,487	3,068
Traffic violations (1)	11,434	11,404	10,685	10,820	11,558
Investigations (1)	not available	not available	not available	957	1,573
Fire:					
Fire runs (1)	1,343	1,451	1,000	837	692
Emergency medical runs (1)	2,183	2,156	2,344	2,192	2,342
Public works:					
Miles of street resurfaced	2.33	2.59	0.68	6.47	4.82
Refuse collected (tons) (1)	not available	10,376	10,289	11,926	12,127
Parks and recreation (2):					
Softball complex attendance	-	-	-	-	28,875
Soccer complex attendance	-	-	-	13,328	20,048
Aquatic center attendance	-	-	-	-	61,934
Hannah Center pass visits	-	-	-	-	-
Hannah Center rental reservations attendance	-	-	-	-	-
Adult day care participants	-	-	-	-	-
Adult day care visits	-	-	-	-	-
Child care registrants	-	-	-	-	-
Recreation and Arts programs registrants	-	-	-	-	-
Youth Action Team - after school	-	-	-	-	-
Aquatics/Athletics programs registrants	-	-	-	-	-
Library:					
Circulation (books borrowed)	310,568	311,443	319,815	323,587	342,879
Visitors	214,091	200,143	224,786	223,534	212,661
Water:					
Number of customers billed	not available	not available	not available	31,893	27,169
Total consumption	not available	not available	not available	1,031,170	845,576
Average consumption per user	not available	not available	not available	32.33	31.12
Sewer:					
Average daily sewage treatment	not available	not available	11.3	11.1	12.4

(1) Amounts reflect the previous calendar year

(2) For those years without information, the program was not operated by the City of East Lansing

See independent auditor's disclaimer on the statistical information.

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**Operating Information**  
**Operating Indicators**

2002	2003	2004	2005	2006
25,931	25,231	28,932	27,321	26,345
10,693	2,450	18,376	3,805	3,983
41.2	9.7	63.5	13.9	15.1
19,880	21,571	25,028	22,765	25,499
70,352	55,935	75,684	67,802	69,661
3,287	2,904	3,317	3,295	3,576
10,293	10,701	12,354	9,759	14,081
996	1,073	1,224	1,189	856
773	831	884	978	1,059
2,428	2,388	2,629	2,601	2,650
3.72	2.34	2.23	2.53	2.42
13,122	14,354	14,750	14,412	10,490
31,200	45,508	47,437	52,012	48,375
26,880	53,032	63,616	84,196	99,820
55,641	48,469	42,210	58,719	52,637
7,629	18,571	37,378	37,486	39,293
25,217	36,448	54,538	56,927	43,378
-	78	77	70	77
-	4,638	3,665	4,140	4,231
-	553	510	568	505
-	1,037	2,004	2,351	3,093
243	2,060	2,466	2,953	5,392
-	3,235	3,957	4,348	4,257
420,503	423,773	389,849	365,009	375,083
222,491	233,895	248,857	263,216	256,928
32,269	29,959	29,992	28,524	33,708
995,958	902,333	859,933	934,520	921,484
30.86	30.12	28.67	32.76	27.34
12.2	10.9	12.1	13.4	12.8

## City of East Lansing, Michigan

Function/Program	1997	1998	1999	2000	2001	2002	2003
Police:							
Stations	1	1	1	1	1	1	1
Patrol units	11	11	11	12	12	12	12
Other vehicles	1	1	6	11	11	13	14
Fire:							
Stations	2	2	2	2	2	2	2
Fire response vehicles	2	2	2	2	2	2	2
Emergency response vehicles	3	3	3	3	3	3	3
Other vehicles	2	2	3	4	5	6	6
Public works:							
Streets (miles):							
Major streets	21.4	21.4	21.4	21.4	21.4	21.4	23.2
Local streets	60.2	60.2	60.2	60.2	60.2	60.2	61.6
Trunkline streets	8.2	8.2	8.2	8.2	8.2	8.2	8.2
Traffic signals	40	40	40	40	41	43	43
Refuse collection trucks	7	7	7	7	7	6	6
Recycling trucks	3	3	3	3	3	3	3
Parks and recreation:							
Acreage	288	310	342	405	412	412	412
Developed parks/playgrounds	19	19	20	21	25	25	25
Developed sporting fields	12	12	19	23	23	23	23
Libraries:							
Branches	1	1	1	1	1	1	1
Book collections	134,071	130,699	133,523	138,839	146,931	155,924	160,931
Water:							
Mains (miles)	79.77	80.40	80.58	81.16	84.64	87.35	89.01
Fire hydrants							
Storage capacity	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Sewer:							
Miles of sanitary sewers	138.21	139.25	139.25	140.13	144.31	147.62	149.26
Miles of storm sewers							
Treatment capacity	15.00	15.00	15.00	18.50	18.50	18.50	18.50

See independent auditor's disclaimer on the statistical information.

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**Operating Information**  
**Capital Asset Statistics**

2004	2005	2006
1	1	1
12	12	13
15	17	17
2	2	2
2	2	2
3	3	3
6	7	8
23.7	24.4	24.4
61.5	61.5	61.5
8.2	8.2	8.2
45	45	45
6	5	5
3	3	3
412	412	412
25	25	25
23	23	23
1	1	1
161,408	159,039	144,500
89.01	91.06	91.06
		842
1.95	1.95	1.95
149.26	151.07	151.07
18.50	18.50	18.50

# **City of East Lansing, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2006**



# City of East Lansing, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of East Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 6, 2006. Those basic financial statements are the responsibility of the management of the City of East Lansing, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Lansing, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 6, 2006

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Honorable Mayor and  
Members of the City Council  
City of East Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of East Lansing, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of East Lansing, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and  
Members of the City Council  
City of East Lansing, Michigan

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 16, 2006

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council  
City of East Lansing, Michigan

### **Compliance**

We have audited the compliance of the City of East Lansing, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2006. The major federal program of the City of East Lansing, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of East Lansing, Michigan's management. Our responsibility is to express an opinion on the City of East Lansing, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of East Lansing, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of East Lansing, Michigan's compliance with those requirements.

In our opinion, the City of East Lansing, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

To the Honorable Mayor and  
Members of the City Council  
City of East Lansing, Michigan

## **Internal Control Over Compliance**

The management of the City of East Lansing, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of East Lansing, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 16, 2006

# City of East Lansing, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Agency/Pass-Through Agency/Program Title	CFDA Number	Entity Project/Grant Number	Award Amount	Federal Expenditures
<b>U.S. Department of Housing and Urban Development -</b>				
Community Development Block Grants - Entitlement grant:	14.218			
B-03-MC-26-0024			\$ 752,000	\$ 24,872
B-04-MC-26-0024			727,000	376,790
B-05-MC-26-0024			690,456	339,529
B-06-SP-MI-0470 (Special Project Grant)			<u>346,500</u>	<u>185,823</u>
Total Community Development Block Grants			2,515,956	927,014
<b>U.S. Department of Homeland Security - Emergency</b>				
Management Performance Grants - HSFEEM-Disaster 1603	97.042	05-P-5151	99,460	56,334
<b>U.S. Department of Justice -</b>				
Office of Justice Programs - Bureau of Justice Assistance:				
Local Law Enforcement Block Grant - 2005-LB-BX0856	16.592		21,860	15,945
Bullet Proof Vest Grant - 01008442	16.607		2,678	892
Passed through the City of Lansing - COPS Interoperable Communications Technology Grant - 2005-IN-WX0009	16.710		<u>447,621</u>	<u>19,560</u>
Total Office of Justice Programs			472,159	36,397
<b>U.S. Department of Transportation - Operation</b>				
Nightcap - City of East Lansing	20.600	OHS-31	14,185	14,185
<b>U.S. Department of Health and Human Services</b>				
Help America Vote Act	90.401		7,284	7,284
Voting Equipment Grant	90.401		108,672	108,672
Passed through Ingham County - National Family Caregiver Support	93.052	F3ECG	<u>9,950</u>	<u>9,950</u>
Total U.S. Department of Health and Human Services			125,906	125,906
<b>Environmental Protection Agency - Office of Water -</b>				
Passed through the State of Michigan - Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>2,878,178</u>	<u>703,038</u>
Total federal awards			<u>\$ 6,105,844</u>	<u>\$ 1,862,874</u>

## City of East Lansing, Michigan

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### **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2006**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 865,341
Revenue not available to finance expenditures of the current period (GASB 33)	185,823
Federal revenue reported as long-term debt on basic financial statements	703,038
Capital contribution for government-wide statement of activities	<u>108,672</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 1,862,874</b></u>



# City of East Lansing, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of East Lansing, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 103,568

# City of East Lansing, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2006

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

#### Federal Awards

Internal control over major program:

- Material weakness(es) identified? \_\_\_\_\_ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X None reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes X No

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
----------------	------------------------------------

14.218	Community Development Block Grant
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Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes \_\_\_\_\_ No

# City of East Lansing, Michigan

## **Schedule of Findings and Questioned Costs (Continued)** **Year Ended June 30, 2006**

### **Section II - Financial Statement Audit Findings**

Reference Number	Findings
	None

### **Section III - Federal Program Audit Findings**

Reference Number	Findings
	None

# **City of East Lansing, Michigan**

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**Report to the City Council**

**June 30, 2006**

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moran

To the Honorable Mayor and  
Members of the City Council  
City of East Lansing, Michigan

We recently completed our audit of the financial statements of the City of East Lansing, Michigan for the year ended June 30, 2006. During the performance of our audit, we had the opportunity to observe items related to the internal controls and operations as a whole that we would like to bring to your attention. All items are presented for your consideration on attachments as outlined below.

<u>Title</u>	<u>Page</u>
<b>Recommendations</b>	
Property Taxes	2
Solid Waste Fund	2
Retiree Health Care Benefits	3
<b>Legislative Matters</b>	
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Ballot Proposals	7

We appreciate the opportunity to be of service to the City of East Lansing. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward to continuing our relationship with the City. Should you wish to discuss any of the items included in this letter, we would be happy to do so.

*Plante & Moran, PLLC*

October 6, 2006

## **Recommendations**

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# **City of East Lansing, Michigan**

## **Recommendations**

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During the audit of the fiscal year ending June 30, 2006, we made several observations of the City's operations to which we would like to draw attention. The following items are considered improvements that we noted which could help to improve the efficiency of the City's day-to-day activities and financial reporting.

### ***Property Taxes***

- Approximately \$57,000 of delinquent personal property taxes, which are past due by 5 to 9 years, are reflected within the general ledger. Although these amounts have been reserved for, we recommend that the City consider their collectibility and write them off if they are deemed uncollectible.
- Taxes levied for debt service are not recorded within the applicable debt service fund as these amounts are reflected as revenue in the General Fund and then transferred to the Debt Service Fund. During the current year, the City collected approximately \$69,000 more in tax revenue than the current year debt service requirements related to unlimited tax general obligation bonds. We recommend property tax revenue levied for debt service be reported directly in the Debt Service fund. This reporting will reflect any excess of tax levy over the required principal and interest expenditures within the fund, and therefore, reflect the restriction on these collections.
- The City currently has a separate millage for Solid Waste and collects taxes for this purpose only. The City uses a percentage of the total tax levy amount of the City to allocate tax revenues to the Solid Waste Fund. Typically, the actual voted or approved millage amount should be used to record revenue for each of the related purposes. This allocation method caused the Solid Waste fund to be allocated approximately \$35,000 more than the actual tax levy. We recommend that the City use the actual millage in recording property tax revenues to adequately account for these funds properly.

### ***Solid Waste Fund***

- The City has accumulated approximately \$900,000 of fund balance within the Solid Waste Fund. This amount has been legally restricted as the revenues of this fund are derived from property tax collections for this purpose. As there are post-closure costs and remediation efforts going on in relation to landfill the City operated during the 1960s (now Burcham Park), it appears these funds can be used for these costs. The City should continue to monitor the costs of this fund and these related post-closure and remediation costs in order to adequately set the requested millage for solid waste. Once the post-closure and remediation costs are known, the City may need to modify their plan for the use of the accumulated funds.

# **City of East Lansing, Michigan**

## **Recommendations**

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### ***Retiree Health Care Benefits***

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements rather than the individual fund level. Therefore, the manner in which retiree health care benefits are budgeted will not change, unless you begin funding the benefits (however, as discussed below, there are incentives to do so).

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any under funding must be reported as a liability on the government-wide statement of net assets. This valuation will need to be performed by an actuary if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. For plans with 100 to 200 participants, the actuarial valuation must be at least every three years; for those over 200 participants, at least every other year.

This statement is being phased in over a three year period, similar to GASB 34. It is effective for fiscal years beginning after December 15, 2006, 2007, or 2008 depending on whether your revenues are over \$100 million, between \$10 million and \$100 million, or under \$10 million, respectively. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to the above dates.

The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the normal fairness issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year's contribution. So – funding the contribution will actually reduce your long run cost.



## **Legislative Matters**

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# **City of East Lansing, Michigan**

## **Legislative Matters**

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### ***Revenue Sharing***

This year's budget discussion offered hope of an increase in revenue sharing from the last several years. Revenue sharing was identified as a priority by the Legislature during its initial budget discussions in the winter and several proposals existed which included a blanket increase in revenue sharing of several percent and one which tied the increase in revenue sharing to local governments who demonstrated that they had engaged in service sharing, service consolidation, etc. In the end, the summer budget compromises that occurred in July saw no increases in revenue sharing over the last several years.

However, an additional appropriation was made for special census payments in 2006. The revenue sharing act does provide that a city, village, or township with a minimum 10 percent population growth confirmed by a special census, and levying at least one mill, is eligible for an annual payment for a portion or all of the growth in population. Despite this, even if the local government meets these criteria, funds for the special census payment must be appropriated by the Legislature. Therefore, there is risk that a community with a 10 percent or greater population increase since the 2000 census will incur the time and expense of a special census and not have monies appropriated by the Legislature.

With the appropriation reductions to revenue sharing since 2001 (including approximately \$600 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of townships are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State's budget, the State is required to reduce the statutory portion of a local unit's revenue sharing, (remember that the constitutional portion cannot be adjusted). Many townships no longer have any statutory revenue sharing remaining as a result. For those communities, because sales tax collections have increased, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing. Essentially, the remaining amount of statutory revenue sharing in the State's budget (approximately \$400 million) is supporting cities, villages, and larger urban townships.

The statutory formula sunsets in 2007, so these remaining statutory revenue sharing dollars will receive considerable attention next year. Next year, the State will also need to begin dealing with counties again as it relates to statutory revenue sharing. In fiscal year 2004/2005, the State eliminated statutory revenue sharing received by counties (which was approximately \$182 million in fiscal year 2003/2004) and, in return, allowed the counties to advance the levy of their operating millage to July from December. The additional monies from the earlier levy were utilized to create a reserve fund by the counties to replace lost statutory revenue sharing. The expectation is that when the reserve funds at individual counties become depleted, the counties will re-enter the State's statutory revenue sharing formula. It is very possible that the return of county statutory revenue sharing could be at the expense of city, village, and township statutory revenue sharing.

# **City of East Lansing, Michigan**

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### ***Revenue Sharing (Continued)***

Considering the unknown impact of the State's budget crisis, the anticipated sunset of the statutory formula, and the elimination of the single business tax (see "Update on Business Tax Reform") on state shared revenue, we encourage you to develop a contingency plan to deal with possible additional reductions to this revenue item.

### ***Update on Business Tax Reform (and its impact on local government)***

On August 9, 2006, the Michigan Legislature approved a voters' legislative "initiative" to repeal the Michigan Single Business Tax ("SBT") for tax years beginning after December 31, 2007, two years earlier than it was originally slated to end. In addition to the repeal, the law requires the Michigan Department of Treasury to prorate the SBT to result in the equivalent of zero tax on business activity occurring after December 31, 2007. Previously, the SBT was scheduled to be repealed for tax years beginning after December 31, 2009.

Currently, there is no plan for replacement of this \$1.9 billion in lost revenue to the State. If no replacement revenue is identified, statutory revenue sharing may become a target to fill the hole in the State's budget.

### ***Cable Franchise Fees***

The State of Michigan has joined a number of other states considering statewide cable TV franchising. There is a bill (HB 6456) that would create a state video service authorization system that would replace the current system of local franchising of cable TV providers, and also would apply to new providers who would provide service through phone lines. Providers would have to provide customers with local stations and "public access" stations, as is currently required for cable systems. Providers would have to pay a fee of up to five percent of gross revenues that would be given to local governments in lieu of the current local cable franchise fees. The legislature has decided to wait until after the November elections to continue discussions regarding this bill.

### ***Task Force Report Issued on Local Government Finance***

In 2005, the Governor commissioned a task force to further study Michigan's Municipal Finance Model. The Commission has completed their work and released their report in May 2006. Findings of the report include:

- Revenue for local governments is flat, or declining, due to reductions in state revenue sharing and the interaction of the Headlee Amendment and Proposal A. Mature urban centers have been impacted the hardest.

# **City of East Lansing, Michigan Legislative Matters**

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## ***Task Force Report Issued on Local Government Finance (Continued)***

- While revenues have been restricted, many expenditures are increasing beyond the control of local government. The expenditures include, but are not limited to health care, pension liabilities, and public safety costs.
- The current finance system, based on obsolete revenue foundations, is not resilient or flexible enough to withstand out-migration of taxpayers, whether due to economic downturn or availability of developable land.
- Legacy costs of postemployment benefits to retired workers threaten to overtake the majority of available new revenue for local units.
- Deferring maintenance on critical infrastructure such as roads, sewers, water mains, and buildings, to meet ongoing increases in operating expenditures has left many local governments with crumbling infrastructure and growing future cost liabilities.

The full report can be accessed at: [www.migroa.org](http://www.migroa.org).

## ***Special Road Project Monies***

As part of the Governor's 2006/2007 budget package, \$80 million was proposed to assist local government to move forward on certain transportation projects and get greater access to Federal transportation matching funds. The Legislature approved the Governor's proposal as Public Acts 139, 140, and 141 of 2006. Michigan Department of Transportation officials are reviewing applications for the rest of the funding and the remaining recipients will be announced later this year.

## ***Considering a Transit Tax?***

Public Act 175 of 2006 was enacted which extends the previous five-year period allowed to levy taxes for public transportation to 25 years. This extended period provides local governments the ability to take advantage of federal funding that was allocated in 2005's federal transportation reauthorization. Certain Federal grant requirements require that communities support a system for at least 25 years. This public transportation tax does, however, require voter approval.

## ***911 Surcharge Sunset Extended***

Local governments receiving monies under the Emergency Service Enabling Act to support 911 operations faced the potential elimination or change in the funding formula at December 31, 2006. To allow further analysis of this issue, the sunset of the Act was extended one year to December 31, 2007 (Public Act 249 of 2006).

# **City of East Lansing, Michigan Legislative Matters**

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## ***Government Wins Headlee Challenge***

The Court of Appeals upheld a trial court decision in July 2006 (*A&E Parking v. Wayne County Metro*, COA docket No. 261046) that the Wayne County Airport Authority has the right to charge user fees to the more than three-dozen companies that sued the Airport Authority. The suit against the Airport Authority alleged that the fees charged to hotels, shuttle and rental car companies and other users of the property that financially benefit from the airport's location should be deemed illegal taxes under the Headlee Amendment. In rendering their opinion in the Authority's favor, the Court considered the charges appropriate and not taxes for the following reasons:

State law permits fees

- The users such as car rental companies and hotels with shuttles, get a benefit from the airport's existence.
- The fees are not calculated arbitrarily and the users aren't forced to pay the fees.
- The users could choose to take their business elsewhere and avoid the charge.

Despite the victory, it serves as a great reminder to local governments that fees must meet the tests established in the Bolt Case to avoid the classification of fees as un-voted taxes in violation of the Headlee Amendment.

## ***Ballot Proposals***

There are currently five issues on the November ballot. They include:

- HJR Z which puts the trust funds that fund the Department of Natural Resources into the Constitution.
- Michigan Civil Rights Initiative to constitutionally prohibit race- and gender-based affirmative action.
- Referendum on PA 160, 2004 seeking voter approval of the dove hunting season law.
- SJR E to constitutionally restrict property seizures under eminent domain to only those for public purposes.
- Citizens for Education requiring inflationary increases in education spending as proposed by the K-16 Coalition for Michigan's Future.

On September 8, 2006, the Michigan Board of Canvassers, in a 4-0 vote, elected to keep the proposed constitutional amendment that has been labeled "Stop Over Spending" off of the November 7, 2006 ballot. This proposal would have created new restrictions on local government finances, created tighter limits on state government revenues, and ended the pension system for the state legislature.